

The background of the top half of the page is a large, light blue seal of the State of Oregon. The seal features an eagle with wings spread, perched on a shield. The shield contains a landscape with a ship on the left, a plow in the center, and a sheaf of wheat on the right. The words "SEAL OF THE STATE OF OREGON" are written around the perimeter, and the year "1859" is at the bottom.

State of Oregon

**Statewide Single Audit
For Fiscal Year Ended
June 30, 2017**

April 2018

Secretary of State
Dennis Richardson

Audits Division, Director
Kip Memmott

Report 2018-11

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

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The Honorable Kate Brown
Governor of Oregon

We have conducted a statewide audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This report encompasses the year ended June 30, 2017, and is required for the State to continue receiving federal financial assistance, which, as shown in this report, totals approximately \$11.3 billion.

As required by the Single Audit Act, we issued a report dated December 19, 2017, on the State of Oregon's financial statements. That report was included in the State of Oregon's *Comprehensive Annual Financial Report* for the year ended June 30, 2017.

This report contains components required by the Single Audit Act to be reported by the auditor:

- *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with laws, regulations, contracts and grant agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.
- *Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.* This component contains our report on the State of Oregon's compliance with the requirements applicable to each of its major federal programs as described in the OMB Compliance Supplement and internal controls over compliance. Part of the schedule of findings and questioned costs relates to this report. This component also contains our report on the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2017.
- *Schedule of Findings and Questioned Costs.* This schedule lists 9 current year audit findings regarding internal control related to financial reporting. It also lists 27 current year audit findings regarding compliance with the requirements of major federal programs and related internal controls.

Uniform Guidance requires management to provide a plan of corrective action on the findings and recommendations for the fiscal year ended June 30, 2017. Management's response and planned corrective actions are included in this schedule. We did not audit management's response, and accordingly, we express no opinion on it.

This report also contains components required by the Single Audit Act to be reported by the State of Oregon:

- *Schedule of Expenditures of Federal Awards.* This schedule is not a required part of the State of Oregon's financial statements, but is required by Uniform Guidance. The schedule shows the State of Oregon's expenditures of federal awards, for the fiscal year ended June 30, 2017, excluding Oregon State University, Oregon Health and Science University, University of Oregon, Portland State University, Western Oregon University, Southern Oregon University, Oregon Institute of Technology, and Eastern Oregon University. The notes, which accompany the schedule, are considered an integral part of the schedule. They provide disclosures regarding the basis of presentation used in preparing the schedule, the reporting entity, the value of federal awards expended in the form of non-cash assistance, unemployment insurance and the calculation of expenditures for Revolving Loan Fund (RLF, CFDA 11.307).
- *Schedule of Prior Year Findings.* This schedule lists the current status of prior year findings that remained uncorrected at the end of fiscal year 2016.

Office of the Secretary of State, Audits Division

State of Oregon

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Honorable Kate Brown
Governor of Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements, and have issued our report thereon dated December 19, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Common School Fund and the Public Employees Retirement System, as described in our report on the State of Oregon's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Other auditors also audited the financial statements of the following discretely presented component units: University of Oregon, Oregon State University, Portland State University, Western Oregon University, Oregon Health and Science University, and SAIF Corporation, as described in our report on the State of Oregon's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, as items 2017-001 through 2017-009, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State of Oregon's Response to Findings

The State of Oregon's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Secretary of State, Audits Division

State of Oregon
December 19, 2017

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

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Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Kate Brown
Governor of Oregon

Report on Compliance for Each Major Federal Program

We have audited the State of Oregon’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Oregon’s major federal programs for the year ended June 30, 2017. The State of Oregon’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The State of Oregon’s basic financial statements include the operations of the universities in the table below, which expended approximately \$1,367 million in federal awards, which are not included in the State of Oregon’s schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of the universities because the component units engaged other auditors to perform an audit of compliance. To obtain a copy of those reports, please refer to note disclosure 1 of the schedule of expenditures of federal awards.

<u>Component Unit</u>	<u>Federal Expenditures</u>
Oregon State University	\$ 395 million
Oregon Health and Science University	\$ 338 million
University of Oregon	\$ 273 million
Portland State University	\$ 219 million
Western Oregon University	\$ 53 million
Southern Oregon University	\$ 39 million
Oregon Institute of Technology	\$ 26 million
Eastern Oregon University	\$ 24 million

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oregon’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and*

Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oregon’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State of Oregon’s compliance.

Basis for Qualified Opinion on Foster Care Title IV-E, Medicaid Cluster, and WIOA Cluster

As described in the accompanying schedule of findings and questioned costs, the State of Oregon did not comply with requirements as described in the table below. Compliance with such requirements is necessary, in our opinion, for the State of Oregon to comply with the requirements applicable to that program.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-010	93.658	Foster Care Title IV-E	Period of Performance
2017-012	93.658	Foster Care Title IV-E	Eligibility
2017-013	93.658	Foster Care Title IV-E and	Allowable Costs/Cost Principles
	93.775	Medicaid Cluster	
	93.777		
	93.778		
2017-014	93.775	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility
	93.777		
	93.778		
2017-015	93.775	Medicaid Cluster	Special Tests and Provisions
	93.777		
	93.778		
2017-018	17.258	WIOA Cluster	Subrecipient Monitoring
	17.259		
	17.278		
2017-019	17.258	WIOA Cluster	Allowable Costs/Cost Principles
	17.259		
	17.278		
2017-020	17.258	WIOA Cluster	Allowable Costs/Cost Principles
	17.259		
	17.278		

Qualified Opinion on Foster Care Title IV-E, Medicaid Cluster, and WIOA Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Foster Care Title IV-E, Medicaid Cluster, and WIOA Cluster for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major

federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-016, 2017-017, and 2017-021 through 2017-035. Our opinion on each major federal program is not modified with respect to these matters.

The State of Oregon's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State of Oregon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-010, 2017-011, 2017-013, 2017-014, 2017-017, and 2017-018 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-012, 2017-015, 2017-016, and 2017-019 through 2017-036 to be significant deficiencies.

The State of Oregon's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements. We issued our report thereon dated December 19, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Office of the Secretary of State, Audits Division

State of Oregon

March 13, 2018, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 19, 2017

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: Qualified:
Foster Care - Title IV-E
Medicaid Cluster
WIOA Cluster

Unmodified:
All Other Major Programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of Major Programs

CFDA#	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
84.011	Migrant Education - State Grant Program
84.048	Career and Technical Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.287	Twenty-First Century Community Learning Centers
93.568	Low-Income Home Energy Assistance
93.658	Foster Care – Title IV-E
93.767	Children’s Health Insurance Program
cluster	Fish and Wildlife Cluster
cluster	Workforce Innovation and Opportunity Act (WIOA) Cluster
cluster	Child Care and Development Fund (CCDF) Cluster
cluster	Medicaid Cluster

Dollar threshold used to distinguish between
type A and type B programs: \$30,000,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

Management Response and Corrective Action Plans were not subjected to auditing procedures.

2017-001 Department of Human Services/Oregon Health Authority Strengthen Review Procedures Significant Deficiency

State accounting policies require management to develop control activities to ensure that transactions entered in the state's accounting system are accurately recorded, properly classified in the accounts, and recorded in the proper accounting period.

During our review of year-end accounting entries, we found transactions recorded that were coded to incorrect accounts or recorded improperly within a fund. Although these transactions were reviewed by staff, the errors were not detected.

The errors resulted in the following misstatements:

- Internal Service Fund Special Payments expenditures were overstated by \$530,000 and Services and Supplies expenditures were understated by the same amount;
- General Fund expenditures and Accounts Payable were overstated by \$17.6 million, while Health and Social Services Fund expenditures and Accounts Payable were understated by \$21 million;
- General Fund Accounts Payable and Due from Other Funds were understated by \$23.2 million, while Health and Social Services Fund Accounts Payable and Due to Other Funds were overstated by the same amount; and
- Due to Other Funds and Due from Other Funds were both overstated by \$32 million.

We also found transactions that were entered in fiscal year 2017, for revenue or services related to the subsequent fiscal period, resulting in the following errors for fiscal year 2017:

- Internal Service Fund revenue was overstated by \$37.9 million; and
- General Fund expenditures were overstated by \$6.9 million and Health and Social Services Fund expenditures were overstated by \$12.7 million.

We recommend management ensure the transaction review process includes examination of proper coding and accounting periods.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

Corrective Action: The agency will update transaction review procedures with additional process steps to ensure that coding is correct and that transactions are posted to the correct fiscal year. These additional processes will include reviewing the account balances after entries are posted to ensure the transaction had the correct effect, ensuring pass-through accounts are zero at the

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

object level and not just at the fund level, and specifically noting when payroll transactions occur in two different fiscal years.

Anticipated Completion Date: March 1, 2018.

**2017-002 Department of Revenue
Improve Year-End Financial Procedures to Ensure Interfund Transactions are Balanced
Significant Deficiency**

Management is responsible for ensuring that fiscal year-end closing procedures result in reporting agency financial information in conformity with generally accepted accounting principles. This includes ensuring transactions between GAAP Funds balance. For example, the department collects tax revenue for other state agencies and initially records the revenue in GAAP Fund 0054. The department later transfers the revenue to other GAAP Funds, designated for each revenue source and then transfers the revenue to the appropriate state agencies. At fiscal year-end, the department records accrual adjustments, in the various GAAP Funds, for the amount of revenue not yet transferred to other state agencies.

We found the department did not have adequate accrual procedures in place to ensure all year-end adjustments were accurate and complete. As a result, at fiscal year-end the department made some but not all accrual adjustments to ensure year-end interfund transactions were balanced. The department recorded accruals in various GAAP Funds to show amounts due to other state agencies but had not recorded accrual adjustments in GAAP Fund 0054 and the various other GAAP Funds to balance the interfund transactions. As a result, marijuana tax revenue was overstated in GAAP Fund 0054 and understated in GAAP Fund 1108 by about \$88 million. This disparity left GAAP Fund 1108 with a negative fund balance. Once adjusted, GAAP Fund 0054 and GAAP Fund 1108 were fairly stated in accordance with generally accepted accounting principles.

We recommend department management develop year-end accrual procedures to help ensure accurate and complete year-end financial reporting, which includes ensuring all interfund transactions are balanced.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Department agrees and will pursue the following corrective actions:

- Update procedures to ensure that all year-end adjustments were accurate and complete.*
- Create checklist for any distribution activities as well as year-end activities. These checklists will contain specific instructions to confirm revenues are in the correct receipted fund and no funds remain with a negative balance.*
- Add the checklist to the performance tracking spreadsheet for the accounting unit. The accounting manager or lead accountant will be responsible for verifying the task has been completed.*

Anticipated Completion Date: June 30, 2018

2017-003 Department of Revenue
Perform and Review Key Cash Reconciliations on a Regular and Timely Basis
Significant Deficiency

During fiscal year 2017, the department received, processed, and deposited over \$9.5 billion in revenues from various tax programs. To facilitate efficient accounting, the department set up specific cash accounts for these programs. Much of the cash received is processed through the Revenue Suspense Account at the Oregon State Treasury before being transferred to the General Fund or other funds, as appropriate. State policy recommends departments reconcile cash accounts regularly and provide adequate review and approval of the reconciliations. Cash reconciliations are an important internal control to provide assurance that actual assets agree to recorded amounts.

The department's intended process is to reconcile cash accounts in its subsidiary systems, on a monthly basis, to related accounts at the Oregon State Treasury (Treasury) and in the state accounting system. Reconciliations should then be reviewed by a separate accountant or manager. The department considers reconciliations to be timely if they are completed by the fifth business day after the end of the following month (e.g., May's reconciliation is timely if completed by July 5th).

We found the department had not completed reconciliations of the Revenue Suspense Account at Treasury to department subsidiary accounts for May and June 2017, and of the 10 monthly reconciliations performed, two had not been reviewed. Additionally, the June 2017 reconciliation of the department's subsidiary systems to the state accounting system was not performed, and of the 11 reconciliations performed one was not performed timely, two were not reviewed, and nine were not reviewed timely. By not consistently performing and reviewing reconciliations, there is an increased risk that errors will not be promptly detected and corrected.

According to management, staff shortages contributed to the delays in completing reconciliations and reviews.

We recommend department management ensure all key cash reconciliations are completed consistently and timely and are separately reviewed and approved.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Department agrees and will pursue the following corrective actions:

- *Continued focus on reconciliation completion by the accounting manager through monthly review of a performance tracking spreadsheet. Clearly assign and identify preparers and reviewers for each reconciliation and hold team accountable.*
- *Partner with Revenue's internal auditors for review of compliance with authoritative guidance, efficiency and training opportunities, and best practices.*
- *Fill all vacant positions to reach necessary staffing levels to complete all work timely.*

Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

- *Hire temporary employee to train accountants, provide support and act as a resource for questions or areas of deficiency.*

Anticipated Completion Date: June 30, 2019

2017-004 Department of Revenue
Strengthen Controls over System Access
Significant Deficiency

The department records tax revenue transactions in its subsidiary systems before the information is entered into the state accounting system at a summary level. The department grants user access to the subsidiary systems based on employee job or role requirements. Sound internal control over information systems requires access rights be revoked upon employee termination, or revoked or updated when an employee's job requirements change.

Department management did not ensure all access rights were reviewed regularly by managers nor all system access rights timely updated. In our review of user access to the department's ITA subsidiary system, we identified three instances where system access was not updated for employees assigned to different roles and responsibilities within the department. This review included one employee identified in the prior year audit, whose new job role still had not been reviewed. The department's plan for correcting the condition was scheduled to begin October 2017.

Strong access controls help increase assurance of authorized or intentional use and/or modification of the system. Lack of strong access controls could result in inappropriate tax transactions.

We recommend department management ensure system access be thoroughly reviewed for employees changing positions within the department and system access rights be timely updated.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Department agrees and will pursue the below corrective actions:

- *Finance managers to review and enforce use of separation checklist to ensure all access is appropriately and timely terminated.*
- *Retain copy of termination request in employee file.*
- *Institute quarterly review of all access involved with finance duties and update as necessary.*

Anticipated Completion Date: June 30, 2018

2017-005 Oregon Military Department
Strengthen Financial Reporting over Federal Revenues
Significant Deficiency

During our audit of the department's federal revenue account, we identified the following issues that resulted in inaccurate financial reporting primarily related to Department of Defense grants:

- In some instances, in current and prior years, the department had not identified in the accounting records the federal grant number associated with the federal revenues and federal expenditures. These transactions exceeded \$1.3 million for fiscal year 2017.
- Federal revenues were not reported in the same fund as the federal expenditures. We estimated this issue exceeded \$3 million for fiscal year 2017.
- In some instances, documentation to support accounting records did not contain sufficient levels of detail to support the transactions and provide assurance that the transactions were appropriate.
- In the prior year, the department did not record a year-end accrual for some of its grant awards resulting in overstatements in the current year of \$1.6 million.

According to the department, some of the above issues are a result of the department being unable to request reimbursement until the federal agency has moved sufficient resources from prior grant award agreements to the appropriate fund.

Additionally, per department management, the federal agency has instructed the department to request reimbursement from only one fund, regardless of which department fund the money was expended from. As a result, federal revenue is initially recorded in that fund. We noted the department has developed procedures to record the revenue in the correct fund, but has not always been timely in redirecting the revenues.

We recommend department management ensure reporting of federal revenues and expenditures, including year-end accruals, is accurate, timely, and in the appropriate fund. We also recommend that management ensure accounting records and documentation contain sufficient detail to support the transactions recorded in the accounting system.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The agency agrees with the audit finding.

Agency corrective action plan: OMD will strengthen financial reporting over federal revenues by developing processes and procedures to accurately and timely accrue, record, or transfer federal revenue into the appropriate fund. OMD will also ensure accounting records and documentation contain sufficient detail to support the transactions recorded in the accounting system.

Anticipated Completion Date: June 30, 2018

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

**2017-006 Department of Environmental Quality
Check Handling Controls Need Improvement
Significant Deficiency**

Department management is responsible for ensuring internal controls are adequate to provide reasonable assurance that cash and check related transactions are properly controlled.

Although the department's cash receipting process had been updated from the prior year, there were still some weaknesses identified during testing of the cash account. Auditors observed the mail delivery and financial services processes in July 2017, shortly after the end of the fiscal year. We found that in the mailroom incoming mail is opened by a single person and the contents are examined. Envelopes containing checks are sorted and placed into a mail slot labeled "checks." Mailroom staff neither restrictively endorse the checks nor document a log of the incoming checks. Financial services is notified that the mail is ready for pick-up and the checks are retrieved from the mail slot by a single person, taken to financial services, and then restrictively endorsed. Oregon Accounting Manual (OAM) 10.20.00.PR prescribes the proper control protocols for handling cash receipts (checks). These controls include having two people opening the mail and immediately restrictively endorsing checks when they are received.

Due to the weaknesses in controls noted above, department management lacks assurance that all checks received are deposited.

We recommend department management apply OAM controls over cash receipts and ensure all incoming checks are properly secured and restrictively endorsed immediately upon receipt.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

DEQ agrees with this finding.

DEQ established a mail handling procedure to improve controls over incoming mail. The procedure outlines the notification process by Reception staff to Financial Services staff when mail arrives and includes a process to open mail in dual custody, restrictively endorse all checks immediately, and securely transport the checks to Financial Services.

The procedure was approved and implemented on October 24, 2017.

**2017-007 Oregon Department of Forestry
Ensure Year-End Financial Reporting Procedures are Followed
Significant Deficiency**

The state's accounting policy requires agencies to report total receivables due with an offset for the amount estimated as uncollectible.

The department evaluated the collection rate for a certain population of receivables to estimate the amount that would not be collected, but when performing the calculation picked up the entire receivables balance instead of just that portion for which the rate applied. This overstated the uncollectible amount, and thereby understated the net amount of the receivables, by about \$29,328,000

Established agency procedures dictate agency staff review proposed year-end accrual entries prior to posting to the statewide financial statements. Because the calculations were not performed until the last day of the fiscal year, the agency did not have sufficient time to perform the secondary review and the error was not detected.

We recommend department management ensure the established procedures for year-end accrual entries are followed such that receivables and related uncollectible allowances are recorded in accordance with generally accepted accounting principles.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Department agrees with this recommendation.

The Finance Program will review our year-end procedures and practices for calculating the estimated uncollectible portion of total receivables to ensure steps are included that will help to identify errors. In addition, we will review our internally-established deadlines to ensure adequate time is allowed for secondary review so that any errors can be detected and corrected prior to statewide year-end close deadlines.

This review will be completed and necessary updates implemented by June 30, 2018.

**2017-008 Oregon Department of Fish and Wildlife
Improve Process Over SEFA Reporting
Significant Deficiency**

Each state agency is responsible for reviewing federal expenditure data for their federal programs to ensure accuracy and completeness of the state's Schedule of Expenditures of Federal Awards (SEFA).

For the Fish and Wildlife Cluster program (CFDA 15.605, 15.611), the Oregon Department of Fish and Wildlife (department) correctly billed the U.S. Fish and Wildlife Services for direct and indirect expenditures during fiscal year 2017. The department reported \$16.8 million of direct expenditures in the SEFA, but did not report \$2.8 million of indirect expenditures because they were not correctly classified as federal expenditures in the state's accounting system. As a result, the program expenditures were understated in the SEFA.

The SEFA has been adjusted for this discrepancy.

We recommend department management ensure federal expenditures are correctly classified in the accounting records and the SEFA.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODFW agrees with the finding.

The SEFA has been adjusted for FY 2017. ODFW will ensure indirect expenditures are reported as federal expenditures for the SEFA going forward.

Anticipated Completion Date: 3/21/2018

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**2017-009 Oregon Liquor Control Commission
Strengthen Controls over System Access
Significant Deficiency**

The department uses a computer application, the Non-Budget Voucher system (NBV) for processing vendor payments for liquor and freight charges. It uses another application, Agent Retail (or Revenue) Management system (ARM), for recording revenues for liquor agents throughout the state. According to the Oregon Accounting Manual, access to programs and data files should be limited to the extent required by individual job duties. In addition, information security standards recommend periodic review of access rights granted to employees and the logging and regular review of activity of users with excessive access.

Department management did not ensure all access rights were reviewed regularly to determine employees' access was only what was required for their jobs. We reviewed user access for these two applications and found three employees with access to NBV who did not require this access to perform their job duties, one of whom had a duplicate user ID in both NBV and ARM.

We also found 24 Distribution Center employees with edit/update access to ARM even though they do not use the ARM system for their job duties. Department management indicated these employees have access to the ARM database because the ARM database was set up to connect to the inventory database to populate agent information. Without this access, the employees would not be able to perform their job duties in the inventory system.

Excessive access to databases provides opportunities for unauthorized changes to the department's information. Although the department has mitigated this risk by restricting administrative access and limiting the installation of applications on employees' computers, users with excessive access to the ARM database should have their activity monitored. User activity is logged, but no one periodically reviews the logs.

Strong access controls, such as periodically reviewing and confirming access rights and monitoring activity of users with excessive access, help provide assurance of only authorized or intentional use and/or modification to data files. Lack of strong access controls could result in unintentional changes.

We recommend department management ensure access to its applications be reviewed regularly to confirm that employees have only the access they require for their jobs. We also recommend management ensure activity of users with excessive access be reviewed periodically.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

OLCC agrees with the recommendation.

We propose adding additional triggers for reviewing access. In addition to reviewing rights at the time of employee hire, at the time of employee termination, and any time when an employee is added or deleted from the system, we will review access rights when changes in responsibilities or personal data, such as a name change occurs.

OLCC will develop a procedure clearly outlining the protocols for employee access and review.

Anticipated Completion Date: August 1, 2018

Section III – Federal Awards Findings and Questioned Costs

Management Response and Corrective Action Plans were not subjected to auditing procedures.

2017-010 Department of Human Services

Child Welfare Systems Allows Claims Outside Period of Performance

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1601ORFOST; 2016, 1701ORFOST; 2017
Compliance Requirement:	Period of Performance
Type of Finding:	Material Weakness, Material Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: Criteria: 42 USC 1320b-2

According to federal requirements, to be eligible for federal funding, expenditures must be submitted for reimbursement within two years after the calendar quarter in which the department incurred the expenditures (period of performance). There is no time limit imposed for adjustments that would decrease federal funding.

As reported in prior audit findings, the department's child welfare system, OR-Kids, processes transactions as far back as January 1, 2008. The system was not designed to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of performance. The department is pursuing system changes to OR-Kids and is considering the requirements and design work to make the changes.

As a result of the system limitations, when preparing the quarterly expenditure reports during fiscal year 2017, the department used a process that nets increases and decreases recorded in the accounting system for prior quarter adjustments and excludes expenditures that have net increases that are older than two years from the report date. The department adopted this process because of the limitations in the availability of accounting system data to determine the actual amount of transactions recorded outside the period of performance. The department also adjusts the accounting records for net increases.

However, not all OR-Kids adjustments are appropriate to net. In some cases, netting the transaction is appropriate due to the way OR-Kids processes refinancing adjustments. OR-Kids will reverse the entire payment and simultaneously record the payment again with the same transaction identifier resulting in no actual change to federal expenditures. If the department did not net the increase and decrease, the report would incorrectly reflect a decrease in federal expenditures. In other cases, netting adjustments is not appropriate because it may result in not including adjustments that should be reported.

The department has developed an OR-Kids report to help identify transactions that are appropriate to "net" and transactions that are not, but the report is not yet in use and has not been validated to ensure it includes the information necessary to report adjustments.

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We recommend department management continue to pursue system changes to OR-Kids to prevent transactions from reimbursing outside the period of performance. In the meantime, the department should develop a process to better identify transactions that are appropriate to net and transactions that should not be netted to ensure adjustments are reported appropriately.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Change requests have been written to correct the OR-Kids system issue identified in the finding. These changes will prevent transactions that are outside the period of performance to process against federal grants and inappropriately used in "netting." A report has been developed to identify adjustment transactions that impacted federal claiming that were outside the period of performance and included in "netting" and is in the validation stage. We are targeting the report to be operational for the April 30, 2018 reporting period.

Once report is complete and accurate, agency will use to report to identify that transactions are netted appropriately and not include those outside of the period of performance.

Anticipated Completion Date: September 30, 2020

**2017-011 Department of Human Services
Improve Contract Monitoring**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1601ORFOST; 2016, 1701ORFOST; 2017
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Material Weakness
Prior Year Finding:	N/A
Questioned Costs:	N/A

Contracting best practices indicate that contracts for services should clearly specify the deliverables, timelines, and costs for services. Contract monitoring is also an essential part of the contracting process, and should ensure that contractors comply with contract terms and performance expectations are achieved.

As part of the federal waiver (demonstration project) to improve positive outcomes among foster care children, the department contracts with providers for additional services to support child welfare clients and families. These services may include parent mentoring, parent coaching, family navigators, and other forms of assistance.

Generally, the department contracts on a yearly basis for these services. For many services, the department pays providers an equal monthly amount based on their total contract amount.

According to the department, this method provides for consistent payments to providers throughout the year, as actual services may vary from month to month.

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The department's monthly invoice template instructs providers to enter clients served and the number of units for each service, which must comply with language in the related contract. The invoice template, however, does not require providers to include billable rates for each service provided during the month. As a result, information is not available for the department to evaluate whether they utilized the expected level of services outlined in the contract.

The department verifies that clients listed on invoices were referred to providers for services. The department then allocates the monthly amount paid among the clients based on various units. As a result, for the same provider, the cost for the same service unit could vary each month depending on the number of clients.

When inquiring about contract monitoring practices, the general response indicated monitoring only occurs monthly, when validating the invoices. Without a sound monitoring process, the department does not have adequate assurance it receives what it contracts for.

We selected a random sample of 40 client payments related to 22 contracts. The value of these contracts for fiscal year 2017 was approximately \$12.3 million. We reviewed the contracts and related invoices and identified the following:

- Two department districts contracted with the same provider for mentoring services with different monthly rates for the services. One contract expects 6 mentors each with 11 clients for \$30,000 per month; the other contract expects 4 mentors each with 12 clients for \$24,000 per month.
- One contract provides for a monthly payment for services, but the expected level of service is not defined.
- One contract includes a subcontract for mentoring services with a provider who is already providing mentoring services for the department under separate contracts.
- One contract provided \$216,715 to a provider to pay for startup costs, which were paid to the provider in three equal monthly amounts. The contract provides no description of what these startup costs are related to, should be spent on, or their purpose other than they will benefit the department. It is unclear if the startup costs are allowable.
- One contract for \$134,544 provided for 40 children to attend six weeks of summer camp, including transportation, and have an assigned mentor for each child for one year. Each mentor is only required to have a minimum of one meeting per month with each client. The contract states the goal is to support the holistic development of young athletes. The contract did not separate costs between camp and mentoring.
- One contract included \$136,000 in emergency funds for clients, which were paid to the provider at the beginning of the contract for services for the entire year. It is unclear if these costs are allowable before services are provided to clients.

We recommend department management ensure adequate contract monitoring processes are in place to provide assurance that the department is receiving the services provided for in these waiver based contracts. We also recommend department management seek clarification regarding allocation of equal monthly payments among clients served and verify that startup costs, camp services, and pre-paid flexible funds are appropriate waiver expenditures.

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MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The agency is in the process of improvement efforts as it relates to contract administration. There is also broader work in the state of Oregon focused on improving contract administration practices. Procurement training requirements were written into law ORS279A.159 with the passage of HB2375 in 2015. DAS Procurement Services and a team of Designated Procurement Officers have prepared training standards and programs to meet the new statutory requirements. The first component developed is the Contract Administration Training Certificate. This component is designed to provide adequate training to state employees responsible for administering contracts. Any state employee responsible for administering a state contract over \$150,000 will now be required to obtain the Contract Administration Training Certificate by December 31, 2018.

The agency began making improvements to the invoice process and contract administration in the district offices in 2016. Part of that work included creating outcome-based contract language in partnership with providers. Our next step will be working with the Office of Continuous Improvement to assist us in mapping an ideal future state.

The agency will obtain clarification from Children's Bureau on any limitations for states to create flexible payment methodology for services allowable under Title IV-E or Title IV-B. This clarification is expected by June 30, 2018.

Anticipated Completion Date: December 31, 2018

**2017-012 Department of Human Services
Improve Foster Care Provider Eligibility Documentation**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1601ORFOST; 2016, 1701ORFOST; 2017
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2016-019
Questioned Costs:	\$3,487

Criteria: 42 USC 672(c); 42 USC 671(a)(20)(A); 42 USC 671(a)(20)(B)

Federal regulations require that the department meet certain requirements to receive Foster Care funding for certain child welfare expenditures. The department is required to determine child eligibility and maintain documentation of that determination, ensure providers have met a criminal background check and child abuse and neglect registry check (including other adults residing in the home), and ensure the foster home is fully licensed.

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We reviewed a random sample of 60 foster care cases to determine whether the provider eligibility determinations were supported, and identified the following exceptions:

- One provider was not licensed while receiving federal reimbursement for payments. The provider was licensed in April 2017, but information was entered incorrectly in the system showing licensure starting in September 2016. We questioned costs of \$2,422 for September 2016 through March 2017.
- The home study for one provider was completed after the provider was fully licensed. The provider was licensed in March 2016 and the home study was approved in April 2016. We questioned costs of \$1,065 for March 2016.

We recommend department management ensure all required documentation is completed timely, reviewed, and maintained, and that eligibility is determined appropriately. We also recommend department management reimburse the federal agency for costs paid related to ineligible providers.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The changes to the OR-Kids provider record to ensure all required elements are completed prior to full certification has shown improvement in documentation. With the additional information captured in OR-Kids, the agency can create exception reports to reduce the human errors that can still occur. Federal Policy, Planning and Resources and the Foster Care Unit will collaborate with the OR-Kids Business team to develop exception reports to improve monitoring compliance with inputting certification records and ensure accurate eligibility determinations. This is targeted to be completed by October 31, 2018.

Federal Policy, Planning and Resources will ensure the error cases are corrected and provide documentation to the Office of Financial Services to include the appropriate quarterly CB496 report. These corrections will be made by June 30, 2018.

Anticipated Completion Date: October 31, 2018

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**2017-013 Department of Human Services/Oregon Health Authority
Financial Transaction Processing Errors in Child Welfare System**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Foster Care – Title IV-E (93.658)
Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year: 1601ORFOST; 2016, 1701ORFOST; 2017
1605OR5MAP; 2016, 1605OR5ADM; 2016;
1705OR5MAP, 2017, 1705OR5ADM; 2017
Compliance Requirement: Allowable Costs/Cost Principles
Type of Finding: Material Weakness, Material Noncompliance
Prior Year Finding: 2016-018
Questioned Costs: \$92,486 (Foster Care); \$45,339 (Medicaid)

Criteria: 45 CFR 1356.21

The department uses OR-Kids, Oregon’s child welfare information system, to manage placements, eligibility, payments, and other case information. Information systems should be designed to ensure information processed by the system is complete, accurate, and valid. As with any significant program or system, management should have an adequate understanding of the processes and controls it is relying on, and should obtain assurance those processes and controls are functioning as intended.

While performing follow-up related to prior year findings that identified processing issues within OR-Kids in fiscal year 2017, we found errors continue to occur when various types of corrections are made to placement information in the system. When placement corrections are initiated, OR-Kids issues a “new” payment, and simultaneously recovers the funds from the payment issued at the time of original services, which generally results in no payment to the provider. However, this process does not always occur as it should, and results in the department incorrectly reporting and drawing federal funds. For some placement corrections, OR-Kids processed the recovery of the funds in a state grant, instead of the federal program, resulting in estimated inappropriate federal expenditures in fiscal year 2017 of \$92,486 for Title IV-E Foster Care, and \$45,339 for Medicaid.

This issue was originally identified in fiscal year 2015. The department has not completed permanent fixes to the OR-Kids system to prevent these processing errors from occurring. Reports have been developed to identify the extent of corrections necessary to repay questioned costs, but these reports have not been validated, and no questioned costs have been repaid to date related to the processing errors.

We recommend department management review OR-Kids transaction processing and make system modifications as appropriate to ensure proper financial reporting of program expenditures. We also recommend department management review prior year and current year transactions and reimburse the federal agency for grant expenditures claimed inappropriately.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Change requests have been written to correct the OR-Kids system issues identified in the finding. These changes will ensure the correct split group is selected when refinancing historic transactions, allow placement corrections in a different age group for a child when they have aged into the next age group, change the eligibility batch to consider eligibility dates that occur after TPR date, and ensure correct PCAs are charged by grant phase so accurate reporting to SFMA of the expenditure of federal funds will occur. A report has been developed to identify adjustments that impacted a state grant rather than the federal grant and is in the validation stage. Once the report is complete and accurate, the agency will use it to report accurately and will begin to make appropriate adjustments to all incorrect claims. Questioned costs in this finding are estimates only and actual amounts needing correction and repayment will be calculated once the report is validated. We intend to have the report operational for the June 30, 2018 reporting period.

Anticipated Completion Date: September 30, 2020

**2017-014 Department of Human Services/Oregon Health Authority
Ensure Medicaid Payments are Sufficiently Supported**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1605OR5MAP, 1605OR5ADM, 1705OR5MAP, 1705OR5ADM
Compliance Requirement:	Allowable Costs, Eligibility
Type of Finding:	Material Weakness, Material Noncompliance
Prior Year Finding:	2016-024
Questioned Costs:	\$33,928 (CFDA 93.778)

Criteria: 42 CFR 435.907(f); 42 CFR 435.916(b); 42 CFR 435.916(f); 42 CFR 435.916(d); 42 CFR 435.914; 42 CFR 434.6

Federal regulations require certain conditions be met for the department and authority to receive Medicaid funding for medical claims, including a signed application and redetermination of eligibility for the program every 12 months or when the agency receives information regarding a change in the client's circumstances that may affect their eligibility. In addition, the department and authority are required to maintain sufficient documentation supporting the client's eligibility and individual claims.

We randomly selected 70 Non-MAGI clients and one Medicaid service payment associated with each client. We reviewed agency documentation to verify eligibility and allowability of Medicaid service. For 18 clients, we found the issues described below. Some clients had more than one issue.

- For seven clients, the department was unable to provide signed applications.
- For nine department clients and one authority client, management was unable to provide evidence that a redetermination for the client had been performed timely. However, we were able to verify that seven of these clients were eligible for Medicaid services. For three clients, verification of client resources during our audit period was not documented. However, based on resources documented in prior determinations

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and/or determinations occurring outside of the audit period, it is reasonable to assume the client would have been eligible for Medicaid services. If management verifies during redetermination that these clients exceeded resource limits, program costs should be returned.

- For the 10 clients noted in the previous bullet, four redeterminations were completed within one year or less of the required redetermination date, one was completed within one to two years past the required redetermination date, one was completed two to three years past the required determination date, and one was completed more than three years past the required redetermination date. As of March 1, 2018 three had yet to be redetermined and were already between one and half and two and a half years past due.
- For one client, in March 2017, the department determined the client's benefits should end as the client was living in another state and receiving benefits from that state. This case was not closed until January of 2018 resulting in questioned costs of \$4,901 for fiscal year 2017 and \$11,443 for fiscal year 2018.
- For one client, the department did not ensure the client was enrolled in Medicare when the client became eligible in February 2014. As a result, the department paid a higher capitation payment for the client in the Medicaid program. For fiscal year 2017, the total questioned costs are \$16,319.
- For one client, the authority enrolled the client in the wrong Medicaid program. There are no questioned costs as the correct program would have been for the same cost during fiscal year 2017.
- For one client, we noted no errors during fiscal year 2017; however, we noted that in fiscal year 2018 the authority re-enrolled the client for services while the client was in a correctional facility and should not have received benefits. The total questioned costs for fiscal year 2018 are \$1,265. The authority closed benefits as of January 2018.

We recommend management strengthen controls to verify applications exist during client eligibility redeterminations, perform timely eligibility redeterminations and verification of client resources, close benefits for clients no longer eligible, and ensure eligible clients are enrolled in both Medicare and Medicaid. We also recommend management correct all identified issues and reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The Department is committed to providing timely benefits to only those individuals who are appropriately determined eligible. The Department has taken positive steps since the Fall of 2016 to improve its business reporting capabilities for tracking and remediating untimely Medicaid redeterminations. The Department expects that the technological advancements and improved functionality of the new Integrated Eligibility (IE) system will provide greater operational opportunities to strengthen its client eligibility controls specifically related to the timeliness of determinations and the electronic retention of required eligibility data elements, such as signed applications. Similarly, the Department expects that the statewide implementation of the Centers

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for Medicare and Medicaid Services (CMS) approved electronic Asset Verification System (AVS) will provide client resource information in a more timely, robust and comprehensive manner. The Department will correct all identified issues and reimburse the federal agency for unallowable costs.

For the client who was enrolled in the wrong Medicaid program, since the date of that individual's incorrect coding, the Oregon Health Authority (OHA) implemented a new eligibility determination system, Oregon Eligibility (ONE). The ONE system enables the agency to better ensure the individual is in the correct MAGI Medicaid program.

For the individual who was enrolled while they were in a correctional facility, the agency is reviewing procedures and relevant systems to assess any additional controls or changes to procedures that may need to be put in place. OHA will also identify and reimburse any unallowable costs related to this client.

Anticipated Completion Date: December 31, 2018

**2017-015 Department of Human Services/Oregon Health Authority
Improve Documentation for Provider Eligibility Determinations and Provider Revalidations**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1605OR5MAP, 1605OR5ADM, 1705OR5MAP, 1705OR5ADM
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2016-025; 2015-020
Questioned Costs:	\$36,576

Criteria: 8 CFR 274a.2(b)(1)(ii)(B); 42 CFR 455.436; Oregon Administrative Rules (OAR 411-031-0040)

Provider eligibility requirements for the Medicaid cluster differ depending upon the type of services provided; however, all providers are subject to specified database checks and are required to sign an adherence to federal regulations agreement (agreement). State requirements also include a background check and proof of the right to work in the United States (I-9 form) for providers such as homecare workers and personal care providers. The department is responsible for determining the eligibility of these Medicaid providers.

We tested 62 of the department's providers receiving Medicaid funds during fiscal year 2017 and found the department could improve its documentation supporting provider eligibility. Specifically, we found:

- For two providers, the department was unable to locate an I-9 form. For four providers, the portion of the I-9 for verifying identity and employment authorization was not completed. For one provider, the provider had not signed the I-9 form. Upon

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identification by the auditors, the department was able to complete two of the previously incomplete I-9 forms. Overall, for the remaining outstanding items, we were unable to determine the provider's eligibility, resulting in \$36,576 of questioned costs for the fiscal year.

- State administrative rules require a background check for each provider to be completed every two years. For one provider, the background check expired in February 2017. Upon inquiry, the department subsequently completed the background check to verify the provider's eligibility in February 2018.

Additionally, federal regulations require that the department periodically revalidate providers by performing database checks to ensure providers are still eligible to participate in the Medicaid program. We selected an additional sample of 60 providers and found:

- For nine providers, the authority did not complete the required database checks within the required time frame. After we identified the specific items, the authority completed the necessary database checks and all nine providers passed the database checks. Accordingly, there were no questioned costs.

We recommend management strengthen controls to ensure documentation supporting a provider's eligibility determination is retained. For current providers with missing documentation, we recommend the department verify they are eligible to provide services and obtain the necessary documentation.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The management of the Oregon Health Authority (OHA) Provider Support Services is including review of database checks and database documentation within its performance metrics for Provider Enrollment staff. Management is verifying database completion for newly enrolled providers by reviewing any missing database checks on a quarterly basis.

For the Office of Developmental Disability Services (ODDS) providers who were enrolled in the Medicaid program without a properly completed I-9, the Department of Human Services (DHS) implemented a new requirement for our Fiscal Intermediary, PPL, to validate the I-9 prior to the provider beginning work for a Medicaid recipient.

The Department will reimburse the federal government for any costs determined to be unallowable.

For the one provider that was the responsibility of the Aging and People with Disabilities program (APD), the Department obtained a current completed I-9 form and confirmed the provider's eligibility; therefore there are no questionable costs remaining for the APD program.

Anticipated Completion Date: March 31, 2018

2017-016 Department of Human Services
Improve Controls Over Monthly Copay Calculations

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Child Care and Development Fund Cluster (CFDA 93.575, CFDA 93.596)
Federal Award Numbers and Year: 2017G996005; 2017 and 2016 2017G999004; 2017 and 2016 2017G999005; 2017 and 2016 2016G996005; 2016
Compliance Requirement: Allowable Costs
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: 2016-022
Questioned Costs: Known questioned costs: \$1,939
Likely questioned costs: \$259,126

Criteria: 45 CFR 98.45(k)

The Child Care Development Fund program offers federal funding to states to increase the availability, affordability, and quality of child care services. As required by federal regulations, the department has developed a sliding fee scale, based on family size and income that provides for cost sharing by families that receive child care services (monthly copay).

We tested a random sample of 40 families for eligibility and verified the monthly copay calculated for each family was accurate based on family size and income. We identified the following errors in 8 of the 40 cases.

- For seven cases, the client's monthly copay was incorrectly calculated due to a caseworker not capturing bonus income, not using all paystubs to calculate income, transposing amounts when calculating income, not including child support payments in calculating income, allowing a reduced copay for a case not eligible for reduced copay, and using an incorrect family size. Additionally, in one case, the authorized work search was extended two months and the reason was not documented. These errors resulted in five client's co-pay being too low resulting in a department overpayment of \$2,301 and two client's co-pay being too high resulting in a department underpayment of \$362.
- For one case, page one of the application was scanned into the imaging system, but the rest of the application could not be located.

Ensuring compliance with childcare copay and subsidy payments reduces the risk of program overpayments.

We recommend department management ensure a client's monthly copay is correctly calculated and applications are retained. We also recommend department management reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Over the past year, the below interventions have been put in place to improve the accuracy of monthly copays for the ERDC Program. Quality Assurance in collaboration with the policy team published an Accuracy in Action newsletter with multiple articles that focused on improving the

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accuracy of ERDC cases in April of 2017. Another specific edition is planned for March of 2018. A specific focused review of ERDC cases is planned for May 2018. The review team will include policy staff Quality Assurance reviewers and Benefit Eligibility Specialists. Following the review, a plan will be developed to improve accuracy. The Electronic Document Management System (EDMS) standardized data capture elements in the past year which will assist in locating documentation in EDMS in the future. In addition, the policy unit will reissue a policy transmittal to department staff as a reminder and reinforcing the importance of increased accuracy in the ERDC program.

DHS will begin the process to reimburse the federal agency for the known questioned costs of \$1,939 identified in the audit.

Anticipated Completion Date: May 31, 2018

**2017-017 Oregon Housing and Community Services
Fiscal Monitoring of Subrecipients Not Performed**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Low-Income Home Energy Assistance, CFDA 93.568
Federal Award Numbers and Year: 2017G992201;2017, 2016G992201; 2016
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness, Noncompliance
Prior Year Finding:
Questioned Costs: \$450 (known)

Criteria: 2 CFR 200.331(b); 2 CFR 200.331(d)

Federal regulations require the Oregon Housing and Community Services (department) to evaluate each subrecipient's risk of noncompliance for the purpose of determining the appropriate level of subrecipient monitoring activities. The department is required to monitor the activities of subrecipients, as necessary, to ensure the subrecipient complies with federal statutes and the terms and conditions of the subaward. When deficiencies are noted, the department must follow-up to ensure the subrecipient takes timely and appropriate action to correct the deficiencies.

During fiscal year 2017, the department passed through \$34.8 million, or 95 percent of program funds to 18 subrecipients. Of those 18 subrecipients, 11 subrecipients did not receive fiscal monitoring by the department during the fiscal year. Management indicated monitoring was not performed for several consecutive months during the fiscal year due to difficulty filling a vacancy in the Fiscal Compliance Monitor position.

Of the 7 subrecipients who received fiscal monitoring reviews during the fiscal year, we randomly selected 3 for testing. We found that for one of the subrecipients tested, the department did not follow-up to ensure timely and appropriate corrective action had been taken by the subrecipient regarding \$450 in questioned costs detected during the on-site review.

Without the performance of fiscal monitoring, there is a risk that subrecipients may not be complying with all applicable program requirements. In addition, without adequate follow-up on deficiencies detected through fiscal monitoring reviews, there is the risk that federal awards may continue to be used for disallowed purposes.

We recommend management ensure all subrecipients receive fiscal monitoring in accordance with the assessed risk level to ensure compliance with federal award requirements, and we recommend the department timely follow-up on all deficiencies detected during fiscal monitoring procedures.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The agency agrees with this finding.

The lack of monitoring resulted from a vacancy in the Fiscal Monitor position for OHCS. This position became vacant in February 2017, 7 months after the start of Fiscal Year 2017. Within those first 7 months, the Fiscal Monitor completed 7 of 18 on-site subrecipient monitoring reviews. OHCS prioritized recruitment of the Fiscal Monitor position, however wasn't able to fill it until a reclassification was performed after multiple failed recruitments. The position was filled on November 1, 2017.

The Fiscal Monitor has scheduled on-site monitoring reviews for all subrecipients for Fiscal Year 2018.

Anticipated completion date: June 30, 2018

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**2017-018 Higher Education Coordinating Commission
Improve Controls Over Subrecipient Monitoring**

Federal Awarding Agency: U.S. Department of Labor
Program Title and CFDA Number: WIA/WIOA Adult Program (17.258)
WIA/WIOA Youth Activities (17.259)
WIA/WIOA Dislocated Worker Formula Grants (17.278)
Federal Award Numbers and Year: AA25375VG0; 2015, AA25375TA0; 2015,
AA25375TC0; 2015, AA25375VI0; 2015
AA25375TE0; 2015, AA268011E0; 2016
AA26801YQ0; 2016, AA26801YS0; 2016
AA268011G0; 2016, AA26801YU0; 2016
AA283383M0; 2017, AA283383O0; 2017
AA283383Q0; 2017, AA283385S0; 2017
AA283385U0; 2017
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness, Material Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 20 CFR 683.400(c)(2); 2 CFR 200.331; Oregon Accounting Manual 30.40.00

The Workforce Innovation and Opportunity Act of 2014 (WIOA) authorizes formula grant programs to States to help job seekers access employment, education, training and support services to succeed in the labor market. During fiscal year 2017, the department distributed \$28,151,334 in WIOA funds to nine subrecipients. Federal regulations require that each State have a monitoring system that provides for annual on-site monitoring reviews of subrecipients. Reviews help to ensure that subrecipients are complying with allowable activities and costs, cash management, eligibility, equipment, procurement and program income requirements.

Because program year 2015 (fiscal year 2016) was the first year of WIOA implementation, the department made the decision not to perform on-site monitoring in calendar year 2016. Instead, the department put more time and effort into training, technical assistance and transitional issues with implementation. The department made this decision in response to the Department of Labor's decision to postpone conducting typical grant comprehensive monitoring visits.

For program year 2016 (fiscal year 2017), the department stated on-site monitoring was performed from September 2017 to December 2017 for all nine subrecipients. As of late February 2018, the department had not documented the monitoring performed for any subrecipients. Since the on-site monitoring was not documented, the department was not able to demonstrate and we were not able to verify that federal funds were used in compliance with federal requirements and for authorized purposes.

Additionally, the State has a central process to assign responsibility for reviewing subrecipient audit reports to state agencies based on which state agency provided the subrecipient the most federal funds. Part of the department's monitoring responsibility is to review subrecipient audit reports and communicate with the subrecipient regarding any corrective action required for

audit findings. The department is responsible for issuing a management decision letter to the subrecipient within six months of acceptance of the audit report by the Federal Audit Clearinghouse. We selected 3 of the 16 subrecipient reviews assigned to the department and identified the following:

- For one subrecipient the department did not maintain evidence that a management decision was issued due to the department being unaware of the requirement.
- For three subrecipients the department did not communicate the results of their review to the subrecipient due to the department being unaware of the requirement.

Federal regulations also require that the department timely follow up with subrecipients to ensure corrections are planned and completed timely. If the department does not communicate the results of their reviews to subrecipients, there is a risk that corrective action will not be taken or taken timely.

We recommend management ensure that on-site subrecipient monitoring activities are timely and adequately documented to help ensure federal awards are used for authorized purposes. Furthermore, we recommend the department implement and consistently follow procedures to adequately document and timely communicate the results of their subrecipient audit report reviews.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the findings regarding the subrecipient audit review.

This was a transitional year for the review of the subrecipient audit reports. Due to a retirement, only minimal training time was available to pass along knowledge to the Account 4 / Accounting Team Lead. The results were that some details were missed in the training process. This year the Team Lead is working with the Dept. of Education to learn their process and procedures and will be documenting them. Further, work has begun on a packet of information to promote a better understanding of the requirement of the Uniform Guidance for Federal Awards, including subrecipient monitoring best practices.

We are confident that this will mean that our future reviews will be completed successfully and that comprehensive communications to the subrecipients will be accomplished. This corrective action will be completed by 6/30/18. The contact person is the Account 4 / Accounting Team Lead: Serena Harris.

The HECC team was on site at each local workforce board for PY2016 WIOA title I monitoring and technical assistance visits in 2017. HECC's normal practice is to allow at least one week between monitoring visits to allow documentation to occur. However, due to workload and training issues, the (updated) 2016 WIOA monitoring guide was not released until June of 2017. This created a compressed monitoring schedule in the fall that resulted in back-to-back onsite/monitoring visits. Because of the compressed timeline, statewide travel times, and scheduling challenges (winter holidays, weather, competing priorities, etc.) the monitoring team had not completed documenting the visits, observations, etc., at the time of the Secretary of State's audit. HECC has all of the monitoring information and will have all of the 2017 visits documented with a report to each local workforce development board by July 31, 2018.

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HECC has taken measures to ensure that a similar situation does not occur with our next round of monitoring. For the PY2017 monitoring year, the updated monitoring guide was released on March 2, 2018 and the visits are already being scheduled, beginning in April 2018. The contact person for this item is at the Office of Workforces Investment Operations Policy Analyst: Debra Welter.

**2017-019 Higher Education Coordinating Commission
Improve Controls Over Payroll**

Federal Awarding Agency: U.S. Department of Labor
Program Title and CFDA Number: WIA/WIOA Adult Program (17.258)
WIA/WIOA Youth Activities (17.259)
WIA/WIOA Dislocated Worker Formula Grants (17.278)
Federal Award Numbers and Year: AA25375VG0; 2015, AA25375TA0; 2015,
AA25375TC0; 2015, AA25375VI0; 2015
AA25375TE0; 2015, AA268011E0; 2016
AA26801YQ0; 2016, AA26801YS0; 2016
AA268011G0; 2016, AA26801YU0; 2016
AA283383M0; 2017, AA283383O0; 2017
AA283383Q0; 2017, AA283385S0; 2017
AA283385U0; 2017
Compliance Requirement: Allowable Costs/Cost Principles
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned costs: \$89,535

Criteria: 2 CFR part 200.403(a) & 200.430(a)

Federal regulations state that allowable costs are costs necessary and reasonable for the performance of federal awards. Payroll costs directly related to a federal award are allowable costs.

The department uses a timekeeping system where each employee has a default funding source based on their responsibilities. If an employee works on other projects, they select alternate coding in the timekeeping system to code the payroll charges to the appropriate funding source. Timely review of each employee's monthly timesheet by management helps to ensure that payroll charged to the federal program was allowable.

We reviewed payroll charged to the WIOA program for 7 of 27 employees to ensure the payroll charges were approved and reasonable for program purposes. For each of these employees, we reviewed one month's timesheet to ensure the timesheet was approved. We found the following:

- One employee's timesheet was not reviewed by the manager. We verified the employee's payroll was allowed to be charged to the federal program.
- Time for one employee was 100 percent defaulted to the WIOA program. This employee's duties had changed and payroll should not have been charged to WIOA. The

department had identified and partially corrected some of the costs, but \$89,535 was still incorrectly charged to the program.

We recommend management timely review all timesheets to ensure employee time is appropriately coded for program purposes. We also recommend management reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding.

Since the timecards sampled in the audit, HECC has taken responsibility of payroll processing from the Department of Administrative Services. The approval process for timecards is now monitored by our Accounting Technicians. They ensure all timecards are approved in a timely manner. The agency will reimburse the unallowable costs as soon as possible.

**2017-020 Higher Education Coordinating Commission
Improve controls over Contract Monitoring**

Federal Awarding Agency:	U.S. Department of Labor
Program Title and CFDA Number:	WIA/WIOA Adult Program (17.258) WIA/WIOA Youth Activities (17.259) WIA/WIOA Dislocated Worker Formula Grants (17.278)
Federal Award Numbers and Year:	AA25375VG0; 2015, AA25375TA0; 2015, AA25375TC0; 2015, AA25375VI0; 2015, AA25375TE0; 2015, AA268011E0; 2016, AA26801YQ0; 2016, AA26801YS0; 2016, AA268011G0; 2016, AA26801YU0; 2016 AA283383M0; 2017, AA283383O0; 2017 AA283383Q0; 2017, AA283385S0; 2017 AA283385U0; 2017
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$125,365

Criteria: 200.403(d) & (g)

Federal regulations require expenditures be adequately documented and applied consistently between federal and non-federal activities. The department enters into contracts to obtain services for the WIOA program, and each contract includes the requirements to be submitted by the contractor for reimbursement and what activities are allowable and reimbursable.

We tested 31 documents, which includes multiple invoices, for compliance with contract terms and found the following:

- For one contract (9 documents), the invoices provided summary information when the contract required the invoices to cite who performed the work and to itemize and

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explain all charges. As we were unable to determine if the amounts were allowable per the contract, questioned costs total \$125,365.

- Two documents did not include evidence of review by the program staff responsible for evaluating the allowability of the expenses related to a contract.
- One contract for \$665,000 was not signed and a signed copy could not be located.
- For one interagency agreement, the contract discussed only directly charged time, but the invoice included the agency's indirect costs which are allowable per federal requirements.
- Some invoices were not mathematically accurate and correct mileage rates were not always used when paying for reimbursement.

The department does not have adequate procedures to ensure compliance with contract terms, which increases the risk for unallowable costs.

We recommend management improve controls over review of contract invoices to ensure they comply with contract terms, are mathematically accurate and correct rates are used. We also recommend the department obtain support to ensure the \$125,365 is allowable.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding.

All invoices that come into the agency are now checked for math accuracy by the Accounting Tech 2. If the math is not correct, the invoice is returned to the vendor for correction. In addition, all contract invoices are routed and reviewed by Procurement staff to ensure contract terms are met. Accountants review invoices to ensure proper review signatures are on input document or email approvals are attached. Accounting Team Lead also checks for proper documentation before releasing. We are also in the process of reviewing an automated accounts payable system that could further facilitate our internal control process to catch errors and omissions and provide comprehensive document storage and retrieval. Additional information is available to support the \$125,365 in questioned costs.

The Office of Workforce Investments (OWI) offers additional explanation and will provide additional information to demonstrate that the questioned costs totaling \$125,365 were allowable per the contract. The contract in question is between HECC and the Oregon AFL-CIO to fund a Statewide Labor Liaison. While the "contractor" is the Oregon AFL-CIO, the contractor's work, as identified in the contract, is to "...hire, supervise and provide a Statewide Labor Liaison to serve as the primary individual responsible for the performance of the work tasks and deliverables of this Contract." Oregon AFL-CIO hired a single individual to serve as Labor Liaison.

OWI concurs that some invoices do not cite who performed the work or itemize and explain all charges, and offers that the individual who was hired by the Oregon AFL-CIO was a single individual for the entirety of the contract, who worked closely with OWI staff. OWI staff were aware of who was doing the work before they approved invoices. Additionally, each calendar quarter, as part of the deliverables of the contract, OWI receives a report from the contracted labor liaison that contains significantly more detail regarding work performed than the invoice alone. While the details may not be on the invoices themselves, OWI staff use them as comparison

when approving or reviewing invoices, payments, etc. The reports contain specifics about who performed the work, the labor liaison's duties, work efforts, travel, and other contract outcomes.

**2017-021 Department of Education
Strengthen Controls over State per Pupil Expenditure Reporting**

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Migrant Education Program (84.011)
Federal Award Numbers and Year: S011A140037-14A, 2015; S011A150037, 2016;
S011A160037, 2017
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: Unknown

Criteria: Section 9101(14) of ESEA; 20 USC 7801(14)

Each year, the department must submit its average state per pupil expenditure (SPPE) data to the National Center for Education Statistics. SPPE data are used by the U.S. Department of Education to make state allocations for Elementary and Secondary Education Act (ESEA) federal programs, including MEP. Federal guidance directs that expenditures from funds received under Title 1 should be excluded from the SPPE calculation (Section 9101(14) of ESEA; 20 USC 7801(14)).

During fiscal year 2017, the department reported total Title I expenditures from all subrecipients of \$150.7 million. We reviewed a sample of subrecipient expenditure totals to verify they agreed to audited SEFA totals. Of the 21 subrecipients reviewed, we found 4 instances where reported Title I expenditures were incomplete. Our review identified a total of \$2.16 million in Title 1 expenditures that were not excluded, resulting in a \$4 overstatement of the SPPE for Oregon. According to department management, the errors were due to incomplete implementation of changes in reporting procedures during fiscal years 2016 and 2017.

We recommend department management strengthen controls to ensure all Title 1 program expenditures are excluded from its annual SPPE calculation results. We also recommend management submit a corrected report to the U.S. Department of Education if required.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with this finding and recommendations that management strengthen controls to ensure all Title 1 program expenditures are excluded from its annual State per Pupil Expenditure Reporting (SPPE) calculation, and a corrected report is submitted to the U.S. Department of Education if required.

Our planned corrective action to strengthen controls over the SPPE calculation is as follows:

- 1. Research the federal guidance over the SPPE calculation.*
- 2. Identify the appropriate staff to receive future federal training and guidance.*

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3. *Revise the SPPE calculation to be in agreement with federal regulations – such as excluding Title 1 program expenditures.*
4. *Contact the U.S. Department of Education and submit a corrected report if required.*

Our anticipated completion date is June 30, 2018

**2017-022 Department of Education
Improve Subrecipient Monitoring Procedures**

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Migrant Education Program (84.011)
Federal Award Numbers and Year: S011A140037-14A, 2015; S011A150037, 2016;
S011A160037, 2017
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 200.331(d) through (f); Sections 5142 and 9501 of ESEA

Federal regulations require pass-through entities to monitor the activities of subrecipients to ensure subawards are used for authorized purposes, comply with the terms and conditions of the subaward, and achieve performance goals. The Elementary and Secondary Education Act stipulates that subrecipients receiving MEP funds must provide eligible private school children and teachers with equitable services under the program.

During fiscal year 2017, the department expended \$8.7 million in program funds to 20 subrecipients. ODE has an established monitoring process that is designed to ensure subrecipients are monitored on-site every three years. We reviewed a sample of three subrecipients that received a combined total of \$2.1 million in program funds during fiscal year 2017 to determine whether appropriate monitoring had occurred. For all tested subrecipients, evidence could not be obtained documenting ODE's monitoring of compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement. Program management indicated documentation was not available because review of this requirement was not included in the program's established monitoring procedures.

Without review of compliance with all applicable compliance requirements, there is a risk subrecipients may not be in compliance with some program requirements.

We recommend management ensure subrecipient monitoring procedures include review of compliance with all applicable federal compliance requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with this finding and recommendation that management ensure subrecipient monitoring procedures include review of compliance with all applicable federal compliance requirements. Our planned corrective action is to update our monitoring process to include

documented assurances of Participation of Private School Children and all other federal requirements.

Our anticipated completion date is June 30, 2018

**2017-023 Department of Education
Subrecipient Risk Assessment Not Documented**

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Migrant Education Program (84.011)
Federal Award Numbers and Year:	S011A140037-14A, 2015; S011A150037, 2016; S011A160037, 2017
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.331(b)

Federal regulations stipulate that pass-through entities must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

The department was unable to provide documentation that they evaluated each subrecipient's risk of noncompliance as part of their determination of the nature and extent of monitoring procedures or that internal controls over this requirement were implemented and effective for fiscal year 2017. Based on staff inquiries, the department did perform procedures to evaluate subrecipients' risk of noncompliance, but did not document their determination of subrecipient monitoring procedures based on such evaluations. As such, we were unable to test whether the department was in compliance with subrecipient risk assessment requirements.

We recommend department management establish effective internal controls to ensure that the assessment of each subrecipient's risk of noncompliance is performed and adequately documented.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with this finding and recommendation that management establish effective internal controls to ensure that the assessment of each subrecipient's risk of noncompliance is performed and adequately documented. Our planned corrective action is to develop a rubric with risk of noncompliance as part of our determination of whom to monitor. The risk assessment rubric will align with ODE's Elementary and Secondary Education Act (ESEA) Monitoring Risk Assessment tool used by other Title programs.

Our anticipated completion date is June 30, 2018

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**2017-024 Department of Education
Ensure Desk Reviews Are Fully Documented**

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Career and Technical Education (84.048)
Federal Award Numbers and Year: V048A160037-16B; 2017, V048A150037-15B; 2016,
V048A140037-14A; 2015
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 200.331(d) through (f)

Federal regulations require pass-through entities to monitor the activities of subrecipients to ensure subawards are used for authorized purposes, comply with the terms and conditions of the subaward, and achieve performance goals.

During fiscal year 2017, the department expended more than \$11 million in program funds to 26 subrecipients. Annually, the department completes a risk analysis to identify subrecipients at greater risk of noncompliance. The analysis is based on issues noted and resolved by staff during the year-end reporting process. Subrecipients identified as higher risk are subject to a desk review. During fiscal year 2017, four subrecipients were identified as higher risk and received desk reviews.

We reviewed supporting documentation for each subrecipient, and found the desk reviews were not fully documented. For example, the review files contained a monitoring checklist of areas to be reviewed and included columns to check if the subrecipient was in compliance or not. However, checklists for three of the four subrecipients reviewed were not completed and none indicated compliance or noncompliance. In addition, the documentation in the review files identified questions and other areas of concern for the respective subrecipient, but did not include evidence of how the questions/concerns were resolved, and no findings were issued.

The department has not developed written procedures related to performance of desk reviews. Without clear procedures and consistent documentation of desk reviews, there is a risk subrecipients may not be complying with all applicable program requirements, and noncompliance may be overlooked.

We recommend department management ensure written procedures are developed to guide the desk review process. We further recommend management ensure that the monitoring checklists are completed, desk reviews are thoroughly documented, and findings are prepared and communicated to subrecipients when necessary.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with this finding and recommendations that management ensure written procedures are developed to guide the desk review process, monitoring checklists are completed, desk reviews are thoroughly documented, and findings are prepared and communicated to subrecipients when necessary.

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ODE has a robust process currently in place to conduct monitoring of subrecipient activities. Our planned corrective action is to modify our process by developing a desk review manual to include processes, procedures, and documentation requirements. We will use it during the Winter/Spring 2018 monitoring cycle and revise annually as necessary. The manual will outline the process to document the review, prepare findings, and communicate to subrecipients. The team lead will review each step as outlined in the manual to ensure documentation is complete.

Our anticipated completion date is June 30, 2018

**2017-025 Department of Education
Improve Subrecipient Monitoring Procedures**

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Twenty-First Century Community Learning Centers (84.287)
Federal Award Numbers and Year: S287C160037; 2017, S287C150037; 2016, S287C140037; 2015
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 200.331(d) through (f)

Federal regulations require pass-through entities to monitor the activities of subrecipients to ensure subawards are used for authorized purposes, comply with the terms and conditions of the subaward, and achieve performance goals.

During fiscal year 2017, the department expended \$9.8 million in program funds to 22 subrecipients. The department has established a risk-based monitoring process, which includes desk monitoring and on-site visits. We reviewed six subrecipients that received \$2.5 million in program funds during fiscal year 2017 to determine if monitoring had occurred. The department could not provide evidence of desk or on-site monitoring for program compliance for five of the six subrecipients. Management indicated this oversight was due primarily to its efforts to understand new federal regulations, including implementation of the risk based monitoring process.

Without adequate desk monitoring and on-site verification, there is a risk subrecipients may not be complying with all applicable program requirements, and noncompliance may be overlooked.

We recommend department management ensure that subrecipients are monitored to verify compliance with federal requirements. We further recommend management retain documentation of the monitoring reviews performed.

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MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with this finding and recommendations that management ensure subrecipients are monitored for compliance with federal requirements along with retaining documentation of the reviews performed. Our planned corrective action is as follows:

- 1. Review non-regulatory guidance and research best monitoring practices.*
- 2. Review the existing grant process, timelines, and documents.*
- 3. Develop a timeline based on a risk assessment along with tools for desk and on-site monitoring.*
- 4. Retain documentation of the reviews performed.*
- 5. Create a management monitoring report for review.*

Our anticipated completion date is June 30, 2018

**2017-026 Department of Education
Improve Accuracy of Maintenance of Effort Calculations**

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Twenty-First Century Community Learning Centers (84.287)
Federal Award Numbers and Year:	S287C160037; 2017, S287C150037; 2016, S287C140037; 2015
Compliance Requirement:	Level of Effort – Maintenance of Effort
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 34 CFR section 299.5

Federal regulations provide that a subrecipient may receive program funds if the state determines the combined fiscal effort per student or the total expenditures of the subrecipient from state and local funds for free public education for the prior year was not less than 90% of the combined fiscal effort or total expenditures for the second prior year. Federal requirements specify a subrecipient's Maintenance of Effort (MOE) expenditures include expenditures such as instruction, attendance services, health services, and other support services. The requirements further specify MOE expenditures are not to include any expenditures for community services, capital outlay, debt services, and expenditures from federally-provided funds.

We reviewed the department's MOE calculations for six subrecipients that received program funds during fiscal year 2017. Our testing was designed to verify that expenditures used in the calculations agreed to audited financial statements and included only allowable expenditure categories. The expenditures for all six of the selected subrecipients included capital outlay expenditures, contrary to federal regulations. We verified that the six subrecipients met MOE requirements in spite of this error.

We recommend department management ensure MOE calculations include only those financial expenditures allowed by federal regulations.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with this finding and recommendation that management ensure Maintenance of Effort (MOE) calculations include only those financial expenditures allowed by federal regulations. Our planned corrective action is to improve controls over the accuracy of MOE calculations by performing a review of the financial expenditure methodology used to calculate MOE. We will revise the MOE calculation to reflect only those expenditures allowed by federal regulations.

Our anticipated completion date is June 30, 2018

**2017-027 Department of Human Services
Strengthen Controls Over Client Payments, Payroll Processes, and Cell Phone Review**

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers and Year:	H126A150054; 2015, H126A160054; 2016
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$60 (known)

Criteria: 29 USC 723(a)(b); 2 CFR 200.430

Some expenditures may be inappropriately charged to the Vocational Rehabilitation federal program. Federal regulations require the department to expend funds for vocational rehabilitation services to eligible individuals as described in an individualized plan for employment or for services provided for the benefit of a group, such as cell phones used to improve delivery method, and for salaries and wages based on records that accurately reflect the work performed.

We reviewed expenditures and found department management does not always conduct reviews or timely reviews to ensure expenditures are appropriately charged to the federal program. Specifically, we found:

- Two of 28 client payments sampled showed services were provided before the Authorization for Purchase (AFP) form was reviewed and approved by the client's counselor. The AFP form ensures services have been identified in a client's individual plan for employment.
- One of 28 client payments sampled showed services were inappropriately provided prior to the client's determination of eligibility, resulting in known questioned costs of \$60 and projected likely questioned costs of less than \$200.

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- Three of 25 monthly timesheets sampled were not reviewed and approved by the employee's supervisor. Without supervisory review, payroll costs may be inappropriately charged to the program.
- Two of 30 non-client payments sampled were monthly cell phone charges that were reviewed by department coordinators more than seven months after the billing month. Without review, some of those costs could have been inappropriately applied to the program. Management indicated problems accessing a third party vendor system hindered the review function for several months.

We recommend department management strengthen its controls to ensure appropriate expenditures are charged to the federal program and that timely reviews of client payments, monthly employee timesheets, and cell phone invoices are performed.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Federal requirements around client payments and acceptable services delivered at acceptable time points in the case will be reviewed with Branch Managers and staff. Business audits of the field will be conducted in all branches on an ongoing basis (these started in August of 2017), reviewing both issues and requiring corrective action plans and follow-up reviews to ensure the issues are addressed. The timesheet process will be reviewed with Branch Managers and staff. Cell phone bills will be reviewed on a monthly basis by the appropriate regional Mobile Communication Device Coordinator, in the required timeframe.

Anticipated Completion Date: July 1, 2018

**2017-028 Department of Human Services
Improve Controls Over Federal Financial Reporting**

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers and Year:	H126A160054; 2016
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.303(a)

The department's FY17 Annual Vocational Rehabilitation Program Cost Report (RSA-2) contained many inaccuracies. Federal regulations require the department to annually prepare and submit an RSA-2 report that includes all activity of the reporting period and to ensure the report is accurate and adequately supported by applicable accounting records. Department management has not ensured controls are effective over the accurate preparation of RSA-2 reports.

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We identified the following inaccuracies in the FY17 RSA-2 report and management's review of the report did not identify these errors:

- Some supporting financial data was obtained using incorrect data query limits, resulting in the reporting of activity outside the reporting period.
- Incomplete data supporting payroll hours and expenditures was provided and used by the preparer of the report and not retained.
- Report instructions state actual hours must be reported for part-time employees; however, department staff incorrectly used the formula to calculate full-time employee hours for part-time employees. The U.S. Rehabilitation Services Administration re-opened the report to allow the department to re-submit the report using actual hours for all employees. Auditor recalculations of report line items using actual hours for all employees identified the following errors from the original report:
 - Direct administration costs were understated by \$1,070,410;
 - Services provided by agency field staff were overstated by \$1,608,656;
 - Total agency expenditures were overstated by \$538,248;
 - Administrative staff hours were under-reported by 22,927 hours;
 - Counselor staff hours were over-reported by 19,856 hours;
 - Staff supporting counselor activity hours were over-reported by 46,573 hours;
 - Other hours were over-reported by 31,184 hours; and
 - Category 1 staff total hours were over-reported by 74,686 hours.

We recommend department management submit accurate RSA-2 reports and strengthen its controls over RSA-2 reports to ensure the reports are properly prepared, adequately supported, and properly reviewed.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The Grant Accounting unit in the Office of Financial Services has adopted a new methodology for reporting hours and dollars based on payroll actuals. This was approved by the federal oversight agency Rehabilitation Services Administration (RSA) in July 2017. Additionally, the query used for the report has been adjusted to exclude the second payroll run for the prior fiscal year and include the second payroll run for the current fiscal year (example: 10/16/15 to 10/15/16). Grant Accounting will retain the data queries used to construct the report and review these with the Business Operations Manager for Vocational Rehabilitation prior to submission.

The Grant Unit revised the FFY2016 RSA 2 report in June 2017.

Corrective actions are completed. The RSA 2 report was corrected June 2017, and new payroll reporting methodology implemented in July 2017.

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**2017-029 Department of Human Services
Procurement Controls Not Always Followed and New Contracting System Not Reviewed**

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers and Year: H126A150054; 2015, H126A160054; 2016
Compliance Requirement: Procurement and Suspension and Debarment
Type of Finding: Significant Deficiency; Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 180; 2 CFR 200; ORS 279B.070; OAM 10.10.00.PR.102

The department did not always follow state and federal procurement procedures when contracting for vocational rehabilitation services. Federal regulations require agencies to follow state contracting laws when contracting for services paid for with federal funds. Federal regulations also restrict contracts with parties that are debarred, suspended, or otherwise ineligible for federal programs.

Department procedures in place at the beginning of the fiscal year required its Office of Contracts and Procurement (OC&P Unit) to complete a checklist to ensure all contracting steps are performed. For the last part of the fiscal year, the OC&P Unit implemented a new contracting system (CSTAT). However, the OC&P Unit is not performing periodic reviews, tests, or analysis of CSTAT to ensure controls are properly functioning over the procurement process.

Department controls were not effective to ensure compliance with federal and state rules.

- We tested 14 randomly selected contract files and found that the checklist was not completed for one of the contracts.
- We tested four contract solicitations. For one solicitation the OC&P Unit did not retain sufficient documentation of the efforts taken to obtain the required number of bids and the decision to close the solicitation prior to obtaining three bids. Oregon statutes state that if three proposals are not available, the department shall make a written record of the effort made to obtain the proposals.
- For four of the 14 sampled contract files, the OC&P Unit could not locate evidence to support that it had verified the contractor was not suspended or debarred. For one of the contracts issued under solicitations, we found debarment was checked for the first contract but not for the contract amendments. We were able to verify the contractors were not suspended or debarred.

We recommend department management strengthen controls to ensure all procurement procedures are followed, including the verification of suspension and debarment for all contracts, and maintain supporting evidence for procedures performed. We further recommend department management create and implement review procedures over its new CSTAT system to ensure controls over procurement procedures are operating effectively.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The Office of Contracts and Procurement (OC&P) has developed and implemented new electronic standards for the processing of all contracts, which includes checks and balances to ensure the required documentation is in each file. In addition to the new electronic contract processing standards, OC&P managers will discuss these findings with the contract writers during their Employee Development Plan meetings.

Within the CSTAT system, each contact writer and manager receives a pending report of the contracts being written that are in the queue. This report identifies by contract writer the status by approval steps, location of each contract, and dates sent to contractors or program. On a weekly basis, there are three reports sent out: a CSTAT clean-up report that identifies missing information for contract writers to correct, an ORPIN clean-up report that identifies pending ORPIN entries, and a pending solicitation report. OC&P also has a Compliance Manager who is reviewing samplings of contract files for compliance with standards, CSTAT and ORPIN.

Anticipated Completion Date: March 13, 2018

**2017-030 Oregon Commission for the Blind
Strengthen Controls Over Costs Charged to the Federal Program**

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers and Year:	H126A160055; 2016
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$3,423 (known)

Criteria: 29 USC 723(a); Approved WIOA State Plan for the State of Oregon; 2 CFR 200.430

The commission did not verify all costs charged to the Vocational Rehabilitation program were allowable costs. Federal regulations require vocational rehabilitation funds be expended solely for administration and program services.

The commission has not fully implemented effective controls over costs charged to the federal program, resulting in program funds paying for unallowable costs.

- One of ten invoices reviewed did not apply the correct charge to the program, resulting in known questioned costs of \$619.
- Three of 25 employee pay periods sampled and two additional employee pay periods selected for testing revealed employee salaries were either not included in the monthly payroll allocation transfer or an incorrect amount was transferred. As a result, payroll costs were inappropriately charged to the program, resulting in known questioned costs of \$2,804. During our review period, the commission strengthened controls over payroll

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allocation; we sampled employee pay periods after this change and determined the commission's new process to allocate salaries was operating effectively.

- Two of 20 client payments sampled did not have signed Authorizations for Purchase. Without this approval, there is risk of unallowable costs being charged to the program.

We recommend commission management strengthen controls over costs charged to the federal program to ensure program funds are only used for allowable program purposes.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The agency will review all general and applicable controls over the allocation of cost charges to federal programs. Based on the results of this review, the department will initiate changes as necessary to ensure program funds are only used for allowable program purposes.

The agency will be filling a key accounting position that was vacant. This position will allow for separation of duties between the preparer and reviewer roles. This separation of duties will strengthen the internal controls over these areas.

The agency has received authority to hire an Internal Auditor in July, 2018. This position will provide the agency with an increased capacity to conduct our own testing related to internal controls in the future.

In response to signed Authorizations for Purchase for client services, guidance and training has been provided to remind all counselors and rehabilitation assistants to ensure all authorizations have appropriate signatures. A verification step has been added in accounting prior to payment for review of all authorizations for visible and appropriate signatures. This has already been implemented.

Anticipated Completion Date: July 1, 2018

2017-031 Oregon Commission for the Blind
Improve Controls Over Federal Financial Reporting

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers and Year: H126A150055; 2015, H126A160055; 2016
H126A170055; 2017
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 200.303(a)

We identified errors in the Federal Financial Report (SF-425) and the Annual Vocational Rehabilitation Program/Cost Report (RSA-2). Federal regulations require federal financial reports to include all activity of the reporting period and be supported by applicable accounting records. The commission has not implemented controls to ensure these reports are accurate and supported by accounting records.

Four SF-425 reports were submitted covering federal awards that were active during FY17. We tested three reports and identified the following incorrect line items:

- The 2015 final SF-425 included program income expenditures from the 2014 award. The SF-425 should report expenditures that are applicable only to the award being reported.
- Two reports showed program income using the deduction alternative instead of the addition alternative required by the grant award notification.
- The federal share of indirect expenses included charges not applicable to the award.
- The recipient share of expenditures on two reports was not supported by financial data as the transfer between grant awards had not yet been entered into the accounting system.

On the RSA-2 report, we identified the following errors:

- Indirect costs were under-reported by \$8,581 due to an incorrect query limit.
- Four line items did not include all applicable data as the result of an Excel formula limitation resulting in:
 - Line 2.A under-reported service expenditures by \$188,203; and
 - Schedule II under-reported labor hours by 4,071 hours.

We recommend commission management correct the financial reports and implement controls to ensure future reports contain accurate information, are supported by accounting records, and follow federal reporting guidelines.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

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The agency will review its existing system of internal controls to ensure all applicable requirements and objectives are being met. Based on the results of this review, the agency will initiate changes as necessary to provide assurance of the accuracy and reliability of financial reporting and compliance with applicable laws and regulations. The agency will design and implement general and applications controls over the activities of preparation and submission of Federal Financial Reporting.

The agency will be filling a key accounting position that was vacant. This position will allow for separation of duties between the preparer and reviewer roles. This separation of duties will strengthen the internal controls over these areas.

The agency has received authority to hire an Internal Auditor in July, 2018. This position will provide the agency with an increased capacity to conduct our own testing related to internal controls in the future.

Anticipated Completion Date: July 1, 2018

**2017-032 Department of Fish and Wildlife
Establish Controls Over Financial Reporting and Ensure In-Kind State Match is Adequately Supported**

Federal Awarding Agency:	U.S. Department of the Interior
Program Title and CFDA Number:	Fish and Wildlife Cluster (15.605, 15.611)
Federal Award Numbers and Year:	Various; 2017, Various; 2016
Compliance Requirement:	Reporting, Matching
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$14,211 (known)

Criteria: 2 CFR 200.303(a); 43 CFR 12.64 (b) (6); 2017 Compliance Supplement

One of five SF-425 reports tested for the individual Fish and Wildlife Cluster program grant awards did not have adequate supporting documentation for the reported state match totaling \$14,211. Because SF-425 reports are specific to individual project grant awards that have varying performance periods, which do not always coincide with one fiscal year period, we were unable to project these questioned costs to the population.

Federal regulations require Federal Financial Reports (SF-425) for the Fish and Wildlife Cluster program grant awards to include all activity of the reporting period, be supported by applicable accounting records, and be fairly presented in accordance with program requirements.

We randomly selected 5 reports from a total of 43 reports due for submission to U.S. Fish and Wildlife Services during fiscal year 2017 and found 1 report was not adequately supported. The reported match consisted of in-kind volunteer hours provided as part of contracted project work. The contractor provided total volunteer hours worked on the project. However, because the department did not inform the contractor of the documentation requirements, the contractor did not maintain sufficient documentation to identify daily volunteer hours spent on

the project grant award. Federal regulations require that matching records be verifiable from the records of contractors and, to the extent feasible, volunteer services be supported by the same methods used to support regular personnel costs. The department uses time sheets for each pay period to track staff hours worked on specific projects.

The department has one employee prepare the SF-425 reports, certify the reports are complete and accurate, and submit them to the federal government. Although the department has established controls to ensure their expenditure tracking system reconciles to accounting records, there is no independent review performed to ensure information entered on the SF-425 reports is accurate.

We recommend department management ensure federal financial reports are independently reviewed and adequately supported before submission.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODFW management agrees

The "independent review" portion of this finding is similar to a finding from OAD's FY2016 audit of the Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty at ODFW entitled "Establish Controls Over Financial Reporting." In response to that audit, ODFW analyzed internal controls and risks associated with the SF-425 and found that existing controls adequately manage the risk of significant reporting errors and maintain compliance with applicable requirements. The resources necessary to perform a review of the SF-425 reports were determined to exceed the benefit derived from the review. The results of the review were communicated to the National Oceanic and Atmospheric Administration (NOAA) and NOAA found ODFW had complied with the requirements for audit resolution.

In response to the "adequately supported" portion of this finding, the department will communicate with program managers and administrative personnel to ensure proper understanding of the requirements necessary for documentation.

Anticipated completion date: 6/30/2018

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**2017-033 Department of Fish and Wildlife
Implement Monitoring and Maintenance of Real Property**

Federal Awarding Agency: U.S. Department of the Interior
Program Title and CFDA Number: Fish and Wildlife Cluster (15.605, 15.611)
Federal Award Numbers and Year: Various, Multiple Years
Compliance Requirement: Equipment and Real Property Management
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 50 CFR 80.90 (f)

The Oregon Department of Fish and Wildlife (department) has not fully implemented procedures to ensure compliance with federal requirements over real property management. Federal regulations require the state to maintain control of all assets acquired with the Fish and Wildlife Cluster program grants to ensure that throughout their useful life they serve the purpose for which they were acquired.

The department has been working with U.S. Fish and Wildlife Services to reconcile land acquisition and ownership records acquired with Fish and Wildlife Cluster program grants. During fiscal year 2017 the department completed, and USFWS accepted the reconciliation. The department is now in the process of establishing policies and procedures to ensure:

- supervisors are informed of the lands acquired with Fish and Wildlife Cluster program grants that are under their supervision; and,
- lands are monitored and maintained for compliance with federal requirements.

However, the department has not yet implemented these procedures.

We recommend department management finalize and implement policies and procedures to ensure compliance with real property federal requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODFW management agrees

ODFW worked with US Fish and Wildlife Service to reconcile land acquisition and ownership records specific to land acquisition grants under the Pittman-Robertson and Dingell-Johnson programs. Per a letter from the Department of the Interior on July 18, 2017, all discrepancies have been rectified.

The department will now focus efforts on developing and implementing policies and procedures to ensure compliance with real property federal requirements.

Anticipated completion date: 6/30/2019

**2017-034 Department of Fish and Wildlife
Improve Controls Over Directly Allocated Costs**

Federal Awarding Agency:	U.S. Department of the Interior
Program Title and CFDA Number:	Fish and Wildlife Cluster (15.605, 15.611)
Federal Award Numbers and Year:	Various; 2017, Various; 2016
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$454 (known); \$21,000 (likely)

Criteria: 2 CFR Subpart E

The Oregon Department of Fish and Wildlife (department) did not always maintain sufficient evidence for allocated costs nor consistently apply and approve allocations. In addition, the department's decentralized process for allocating direct costs increases risk of non-compliance with cost principles.

The department is responsible for maintaining adequate documentation to support the allocation of direct costs across multiple federal awards when those costs provide benefits to both the federal and other activities of the department. Additionally, cost principles require allocations be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the department and be adequately documented.

The department has a decentralized process for allocating direct costs to the Fish and Wildlife Cluster and other programs and activities. Each field office determines the basis used to allocate costs to the programs benefitting from the field office, which results in inconsistent bases being used for the same services. For example, one field office allocated encryption costs by functional program area, and another field office allocated encryption costs by FTE.

The field offices submit invoices with the funding splits for processing by the central office accounts payable unit. Any documentation to support the basis for allocations is generally maintained by the field office.

We reviewed 40 services and supplies sample items and noted 4 sample items where a field office did not provide sufficient documentation to support the basis for allocated costs for the following services:

- Encryption services
- Janitorial services
- Telephone services; and
- Copier services

Additionally, we noted 2 samples where the allocations were inaccurately applied, and 2 samples that did not show evidence of adequate approval. The total effect to the Fish and Wildlife Cluster is \$454 in known questioned costs and when projected to the Services and Supplies population, questioned costs are estimated to be about \$21,000.

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Without a centralized process or documented methodology to consistently allocate costs across the program, there is increased risk that allocations do not reflect actual benefit to the program, are not consistently applied across programs and other department activities, and are not accurately calculated.

We recommend department management review their methods and processes for allocating direct costs to programs and improve controls to ensure adherence to cost principles. Specifically, we recommend management require that sufficient documentation of the basis applied to allocating costs is maintained and periodically reviewed to ensure costs reflect actual benefit to the program, are accurately calculated, and are consistently applied across programs and other department activities.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODFW management agrees

This finding is similar to a finding from OAD's FY2016 audit of the Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty entitled "Supporting Documentation for the Allocated Costs Not Maintained." In response to that audit, ODFW strengthened its processing documents (payment request authorization form) in FY18 to ensure allocation information was being captured and maintained. Based on the additional detail provided within this finding, ODFW will further enhance its processing documents to ensure compliance with federal and state requirements.

Anticipated completion date: 6/30/2018

**2017-035 Department of Fish and Wildlife
Include Only Paid Hunting and Angling Licenses in Certification Report**

Federal Awarding Agency:	U.S. Department of the Interior
Program Title and CFDA Number:	Fish and Wildlife Cluster (15.605, 15.611)
Federal Award Numbers and Year:	N/A
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 50 CFR 80.33 and 80.37

The Oregon Department of Fish and Wildlife (department) incorrectly reported license counts. Federal regulations require the department to annually certify the number of paid hunting and fishing license holders to U.S. Fish and Wildlife Services (USFWS) to receive an apportionment of Fish and Wildlife Cluster program funds. The USFWS uses the certified license information to calculate final apportionments to the states for the following fiscal year. According to federal regulations, only paid licenses are to be included in the certified count.

We found that the department's certified count submitted for the fiscal year 2018 apportionment included:

- 5,895 free hunting licenses and 5,809 free angling licenses issued to resident disabled veterans with a federally determined disability rating of at least 25 percent; and,
- 11,233 harvest cards purchased for juveniles under 14 with no licenses

Department staff calculated the number of hunting and fishing licenses to include on the certification. Although department management reviewed the certification, their review did not identify the errors. As a result, the department's fiscal year 2018 annual apportionment of grant funds may be more than it should be.

We recommend department management correct and resubmit the certification and implement a more robust review process to ensure the certification is accurate prior to submission.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODFW management agrees

The department will work with USFWS to better understand which licenses to include in the annual certification calculation and will follow USFWS's guidance regarding recertification. Additionally, the department will implement a more robust review process.

Anticipated completion date: 6/30/2018

**2017-036 Department of Fish and Wildlife
Consistently Apply Controls Over Procurements**

Federal Awarding Agency:	U.S. Department of Interior
Program Title and CFDA Number:	Fish and Wildlife Cluster (15.605, 15.611)
Federal Award Numbers and Year:	Various; 2016, Various; 2017
Compliance Requirement:	Procurement, Suspension, and Debarment
Type of Finding:	Significant Deficiency
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 180; 2 CFR 200; ORS 279B.070; OAM 10.10.00.PR.102

The Oregon Department of Fish and Wildlife (department) did not ensure its control, intended to track that all procurement steps were followed before issuing a contract, was consistently followed. Federal regulations require agencies to follow state contracting laws when contracting for services paid for with federal funds. Federal regulations also restrict contracts with parties that are debarred, suspended, or otherwise ineligible for federal programs.

During the procurement process, the department completes checklists to ensure state laws and procedures are followed and checks the status of contractors on the federal System for Award Management (SAM) website to verify the contractors have not been suspended or debarred.

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We tested 9 contracts and found department controls were not effective to ensure compliance with federal requirements:

- 4 contract files did not include checklists; and,
- 1 contract file for which the department did not verify the contractor was not suspended or debarred.

Prior to March 2017, the use of the checklists was not mandatory and there were no other documented and consistently applied controls in place to ensure state procurement laws and procedures were followed. The informal use of checklists may have contributed to the fact suspension and debarment was missed as the department employee completing the procurement was new to the process and did not know checking for suspension and debarment was a required procedure.

We found all 9 contract files were in compliance with state procurement laws and regulations and we verified that all 9 contractors were not suspended or debarred.

We recommend department management require the consistent application of controls to ensure compliance with federal requirements over procurement.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODFW management agrees.

Department management implemented mandatory checklists in March of 2017 to ensure state laws and procedures are followed including checking the status of contractors on the federal System for Award Management (SAM) website to verify contractors have not been suspended or debarred. ODFW plans to continue current efforts implemented in FY18.

Anticipated completion date: 3/31/2017

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Schedule of Expenditures of
Federal Awards
For the Year Ended
June 30, 2017**

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Department of Agriculture					
10.001	Agricultural Research_Basic and Applied Research		\$ -	\$ 814	\$ 814
10.025	Plant and Animal Disease, Pest Control, and Animal Care		-	2,712,428	2,712,428
10.028	Wildlife Services		-	24,386	24,386
10.069	Conservation Reserve Program		61,183	11,903	73,086
10.093	Voluntary Public Access and Habitat Incentive Program		-	43,294	43,294
10.170	Specialty Crop Block Grant Program - Farm Bill		1,182,372	578,129	1,760,501
10.171	Organic Certification Cost Share Programs		-	388,550	388,550
10.290	Agricultural Market and Economic Research		-	11,150	11,150
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		17,143,004	46,804,822	63,947,826
10.558	Child and Adult Care Food Program		35,623,250	732,830	36,356,080
10.560	State Administrative Expenses for Child Nutrition		374,660	2,926,488	3,301,148
10.574	Team Nutrition Grants		-	148,181	148,181
10.575	Farm to School Grant Program		-	17,209	17,209
10.576	Senior Farmers Market Nutrition Program		-	840,320	840,320
10.578	WIC Grants to States (WGS)		123,680	9,142	132,822
10.579	Child Nutrition Discretionary Grants Limited Availability		166,340	134,884	301,224
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants		-	31,347	31,347
10.582	Fresh Fruit and Vegetable Program		2,497,955	15,586	2,513,541
10.598	Supplemental Nutrition Assistance Program (SNAP) Recipient Trafficking Prevention Grants		-	12,736	12,736
10.604	Technical Assistance for Specialty Crops Program		-	44,395	44,395
10.652	Forestry Research		-	21,153	21,153
10.664	Cooperative Forestry Assistance		318,955	4,721,025	
	Pass Through From: USDA Forest Service	19399999999999	-	913	
	<i>Total 10.664</i>				5,040,893
10.674	Wood Utilization Assistance		-	144,785	144,785
10.676	Forest Legacy Program		-	1,399,875	1,399,875
10.678	Forest Stewardship Program		-	163,923	163,923
10.680	Forest Health Protection		-	824,926	824,926
10.691	Good Neighbor Authority		-	62,887	62,887
10.868	Rural Energy for America Program		-	19,911	19,911
10.902	Soil and Water Conservation		-	204,570	204,570

10.U01	15PA11060400016		-	10,000	10,000
10.U02	2014CS11061500006		-	7,544	7,544
10.U03	AG 04T0 P 15 0029		-	2,335	2,335
SNAP Cluster					
10.551	Supplemental Nutrition Assistance Program	\$		\$ 1,021,245,595	\$ 1,021,245,595
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		63,800	83,133,832	83,197,632
Total SNAP Cluster		\$	63,800	\$ 1,104,379,427	\$ 1,104,443,227
Child Nutrition Cluster					
10.553	School Breakfast Program	\$	38,764,700	\$ 354,476	\$ 39,119,176
10.555	National School Lunch Program		131,894,110	724,123	132,618,233
10.556	Special Milk Program for Children		86,529	-	86,529
10.559	Summer Food Service Program for Children		5,804,794	6,610,989	12,415,783
Total Child Nutrition Cluster		\$	176,550,133	\$ 7,689,588	\$ 184,239,721
Food Distribution Cluster					
10.565	Commodity Supplemental Food Program	\$	397,520	\$ -	\$ 397,520
10.568	Emergency Food Assistance Program (Administrative Costs)		1,508,530	-	1,508,530
10.569	Emergency Food Assistance Program (Food Commodities)		7,870,696	-	7,870,696
Total Food Distribution Cluster		\$	9,776,746	\$ -	\$ 9,776,746
Forest Service Schools and Roads Cluster					
10.665	Schools and Roads - Grants to States	\$	7,064,011	\$ -	\$ -
	Pass Through from: Clackamas County			1936002286000	-
	Pass through from: Jackson County			1936002298000	148,574
	Pass through from: Linn County			1936002305000	151,067
	<i>Total 10.665</i>				146,154
Total Forest Service Schools and Roads Cluster		\$	7,064,011	\$ 445,795	\$ 7,509,806
Total Department of Agriculture		\$	250,946,089	\$ 1,175,587,251	\$ 1,426,533,340

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Department of Commerce					
11.008	NOAA Mission-Related Education Awards		\$ -	\$ 20,192	\$ 20,192
11.012	Integrated Ocean Observing System (IOOS) Pass Through From: University of Washington <i>Total 11.012</i>	1916001537	-	<u>25,986</u>	25,986
11.407	Interjurisdictional Fisheries Act of 1986 Pass Through From: Pacific States Marine Fish Com <i>Total 11.407</i>	936002376	-	<u>106,618</u>	106,618
11.417	Sea Grant Support Pass Through From: Oregon State University <i>Total 11.417</i>	1611730890 4	-	<u>1,882</u>	1,882
11.419	Coastal Zone Management Administration Awards Pass Through From: Regents of the Univ Michigan <i>Total 11.419</i>	1386006309010	41,947 -	1,653,200 <u>25,188</u>	1,720,335
11.420	Coastal Zone Management Estuarine Research Reserves		-	624,991	624,991
11.429	Marine Sanctuary Program		-	31,873	31,873
11.436	Columbia River Fisheries Development Program		-	4,904,819	4,904,819
11.437	Pacific Fisheries Data Program Pass Through From: Pacific States Marine Fish Com <i>Total 11.437</i>	936002376	-	<u>1,051,824</u>	1,051,824
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		6,190,659	7,408,866	13,599,525
11.439	Marine Mammal Data Program Pass Through From: Pacific States Marine Fish Com <i>Total 11.439</i>	936002376	-	64,970 <u>48,001</u>	112,971

11.441	Regional Fishery Management Councils				
	Pass Through From: North Pacific Fishery Mgmt	920060367	-	22,036	
	Pass Through From: Pacific Fishery Mgmt Council	910982918	-	118,135	
	<i>Total 11.441</i>				140,171
11.467	Meteorologic and Hydrologic Modernization Development		-	304,709	304,709
11.472	Unallied Science Program		-	36,196	36,196
11.478	Center for Sponsored Coastal Ocean Research_Coastal Ocean Program		-	15,938	15,938
11.549	State and Local Implementation Grant Program		-	367,067	367,067
11.999	Marine Debris Program		-	55,000	55,000
11.U01	1416				
	Pass Through From: Pacific States Marine Fish Com	936002376	-	61,982	
	<i>Total 11.U01</i>				61,982
11.U02	RA-133F-16-SE-1385			38,733	38,733
Economic Development Cluster					
11.307	Economic Adjustment Assistance		\$ -	\$ 7,965,637	\$ 7,965,637
Total Economic Development Cluster			\$ -	\$ 7,965,637	\$ 7,965,637
Research and Development Cluster					
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		\$ -	\$ 145,010	\$ 145,010
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes		-	-	
	Pass through from: Oregon State University	1611730890	-	38,071	
	<i>Total 11.432</i>				38,071
Total Research and Development Cluster			\$ -	\$ 183,081	\$ 183,081
Total Department of Commerce			\$ 6,232,606	\$ 25,136,924	\$ 31,369,530

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Department of Defense					
12.106	Flood Control Projects		\$ -	\$ 749,402	\$ 749,402
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		-	68,058	68,058
12.400	Military Construction, National Guard		-	3,038,549	3,038,549
12.401	National Guard Military Operations and Maintenance (O&M)		-	45,782,905	45,782,905
12.404	National Guard ChalleNGe Program		-	4,728,388	4,728,388
12.U01	1000		-	159,450	159,450
12.U02	W911SR1320002		-	42,613	42,613
12.U03	W9127 N 12 2 0004		-	195,864	195,864
12.U04	W9127N 102 0008 0032		-	9,265	9,265
12.U05	W9127N 12 2 00040004		-	15,496	15,496
12.U06	W9127N 12 2 00040006		-	389,052	389,052
12.U07	W9127N 12 2 00040007		-	13,812	13,812
12.U08	W9127N 12 2 00040010		-	293,763	293,763
12.U09	W9127N 12 2 00041003		-	906,804	906,804
12.U10	W9127N 12 2 00041005		-	415,172	415,172
12.U11	W9127N 12 2 00041007		-	1,203,847	1,203,847
12.U12	W9127N 12 2 00041008		-	250,519	250,519
12.U13	W9127N 12 2 00041011		-	6,071	6,071
12.U14	W9127N 12 2 00043003		-	18,351	18,351
12.U15	W9127N 12 2 0005		-	45,755	45,755
12.U16	W9127N 12 2 10041004		-	670,284	670,284
12.U17	W9127N 122 0004 1013		-	421,300	421,300
12.U18	W9127N10200080033		-	39,737	39,737
12.U19	W9127N10200080036		-	203,317	203,317
12.U20	W9127N10200080037		-	152,999	152,999
12.U21	W9127N10200080038		-	4,024	4,024
12.U22	W9127N1020080035		-	383,625	383,625
12.U23	W9127N12200041001		-	1,462,373	1,462,373
12.U24	W9127N12200041002		-	1,315,132	1,315,132
12.U25	W9127N12200043001		-	162,697	162,697
12.U26	W9127N12200043015		-	93,341	93,341
12.U27	W9127N12200043016		-	(6,046)	(6,046)
12.U28	W9127N12200043017		-	102,102	102,102
12.U29	W9127N12200043018		-	56,464	56,464

12.U30	W9127N12200044009		-	659,739	659,739
12.U31	W9127N12200044018		-	4,638	4,638
12.U32	W9127N12200044019		-	22,091	22,091
12.U33	W9127N1320002		-	13,457	13,457
12.U34	W9127N14200090004		-	129,878	129,878
Total Department of Defense			\$	-	\$ 64,224,288
				\$	64,224,288

Department of Housing and Urban Development

14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		\$	9,764,242	\$	310,799	\$	10,075,041
14.231	Emergency Solutions Grants Program			1,613,537		88,642		1,702,179
14.235	Supportive Housing Program			-		80,992		80,992
14.239	Home Investment Partnerships Program			1,923,003		4,861,286		
	Pass Through From: City of Salem	40000000000011		-		5,682		
	<i>Total 14.239</i>							6,789,971
14.241	Housing Opportunities for Persons with AIDS			523,978		899,581		1,423,559
14.275	Housing Trust Fund			-		5,223		5,223
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities			-		26,466		26,466
14.400	Equal Opportunity in Housing			-		276,252		276,252
14.U01	B08DN410001			-		43,017		43,017
Total Department of Housing and Urban Development			\$	13,824,760	\$	6,597,940	\$	20,422,700

Department of the Interior

15.214	Non-Sale Disposals of Mineral Material		\$	243,022	\$	-	\$	243,022
15.225	Recreation Resource Management			249,874		-		249,874
15.227	Distribution of Receipts to State and Local Governments			201,055		-		201,055
15.231	Fish, Wildlife and Plant Conservation Resource Management			-		595,805		595,805
15.234	Secure Rural Schools and Community Self-Determination			-		20,104		
	Pass Through From: Josephine County	1936002300				131,317		
	<i>Total 15.234</i>							151,421
15.236	Environmental Quality and Protection Resource Management			-		20,314		20,314
15.238	Challenge Cost Share			-		24,508		24,508
15.242	BLM Rural Fire Assistance			-		10,633		10,633
15.504	Title XVI Water Reclamation and Reuse Program			-		260,541		260,541

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
15.517	Fish and Wildlife Coordination Act		-	196,237	196,237
15.614	Coastal Wetlands Planning, Protection and Restoration		1,251,919	150,738	1,402,657
15.615	Cooperative Endangered Species Conservation Fund		5,208	229,816	235,024
15.616	Clean Vessel Act Program		502,054	84,690	586,744
15.622	Sportfishing and Boating Safety Act		60,150	-	60,150
15.626	Enhanced Hunter Education and Safety Program		76,193	82,387	158,580
15.634	State Wildlife Grants		-	782,414	782,414
15.657	Endangered Species Conservation - Recovery Implementation Funds		-	206,420	206,420
15.660	Endangered Species - Candidate Conservation Action Funds		-	53,589	53,589
15.661	Lower Snake River Compensation Plan		-	3,705,835	3,705,835
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention		68,295	-	68,295
15.807	Earthquake Hazards Research Grants		-	16,407	16,407
15.808	U.S. Geological Survey_Research and Data Collection		-	295,781	295,781
15.810	National Cooperative Geologic Mapping		-	148,963	148,963
15.904	Historic Preservation Fund Grants-In-Aid		166,859	722,282	889,141
15.916	Outdoor Recreation_Acquisition, Development and Planning		758,695	128,464	887,159
15.U01	4112GP572		-	9,878	9,878
15.U02	F15AC00767		-	191	191
15.U03	F15AP00638		-	30,542	30,542
15.U04	F16AC00822		-	2,254	2,254
15.U05	F16AF00257		-	13,630	13,630
15.U06	F16AF00853		-	24,190	24,190
15.U07	F16AP01111		500,000	-	500,000
15.U08	F16AS00141		-	20,183	20,183
15.U09	L10AC20502		-	11,675	11,675
15.U10	L16AC00352		-	8,989	8,989
15.U11	LOPTX		-	1,571	1,571
15.U12	P15AP01111		23,116	-	23,116
15.U13	P16AP00123		539	-	539
15.U14	R13AP13007		-	164,761	164,761
15.U15	USFW AGMT NAT		-	164,932	164,932
15.U16	HERIT		-	-	-
15.U17	USFW AQC GRANT			980,000	980,000

Fish and Wildlife Cluster

15.605	Sport Fish Restoration Program		\$	3,276	\$	6,334,489	\$	6,337,765
15.611	Wildlife Restoration and Basic Hunter Education			138,927		13,325,119		13,464,046

Total Fish and Wildlife Cluster

			\$	142,203	\$	19,659,608	\$	19,801,811
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Total Department of the Interior

			\$	4,249,182	\$	28,959,649	\$	33,208,831
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Department of Justice

16.017	Sexual Assault Services Formula Program		\$	307,959	\$	11,304	\$	319,263
16.021	Justice Systems Response to Families			-		155,811		155,811
16.321	Antiterrorism Emergency Reserve			99,049		1,930		100,979
16.523	Juvenile Accountability Block Grants			95,163		649		95,812
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States			103,365		124,896		228,261
16.543	Missing Children's Assistance			-		353,793		353,793
16.550	State Justice Statistics Program for Statistical Analysis Centers			-		59,169		59,169
16.554	National Criminal History Improvement Program (NCHIP)			-		162,796		162,796
16.575	Crime Victim Assistance			12,629,409		737,493		13,366,902
16.576	Crime Victim Compensation			-		1,596,254		1,596,254
16.582	Crime Victim Assistance/Discretionary Grants			29,025		22,375		51,400
16.585	Drug Court Discretionary Grant Program			-		-		
	Pass Through From: Marion County	1029		-		43,623		
	Pass Through From: Harney County	1023		-		7,389		
	Pass Through From: Josephine County	1018		-		1,986		
	<i>Total 16.585</i>							52,998
16.588	Violence Against Women Formula Grants			1,679,469		246,095		1,925,564
16.593	Residential Substance Abuse Treatment for State Prisoners			130,202		12,591		142,793
16.595	Community Capacity Development Office			-		119,040		119,040
16.606	State Criminal Alien Assistance Program			-		1,828,075		1,828,075
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities			-		26,862		26,862
16.738	Edward Byrne Memorial Justice Assistance Grant Program			359,474		690,421		
	Pass Through From: Mid-Willamette Val Commaction	1031				271,867		
	<i>Total 16.738</i>							1,321,762
16.741	DNA Backlog Reduction Program			-		523,500		523,500
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program			-		48,460		48,460
16.750	Support for Adam Walsh Act Implementation Grant Program			-		241,934		241,934

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
16.751	Edward Byrne Memorial Competitive Grant Program		-	123,032	123,032
16.754	Harold Rogers Prescription Drug Monitoring Program		75,268	992	76,260
16.813	NICS Act Record Improvement Program		-	797,771	797,771
16.816	John R. Justice Prosecutors and Defenders Incentive Act		-	34,490	34,490
16.826	Vision 21		-	9,166	9,166
16.827	Justice Reinvestment Initiative		869,107	38,467	907,574
16.922	Equitable Sharing Program		-	297,145	297,145
Total Department of Justice			\$ 16,377,490	\$ 8,589,376	\$ 24,966,866
Department of Labor					
17.002	Labor Force Statistics		-	1,221,138	1,221,138
17.005	Compensation and Working Conditions		-	153,890	153,890
17.225	Unemployment Insurance		-	595,549,959	595,549,959
17.235	Senior Community Service Employment Program		1,220,883	39,277	1,260,160
17.245	Trade Adjustment Assistance		-	11,903,428	11,903,428
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects		-	503,900	503,900
17.268	H-1B Job Training Grants		-	11,335	11,335
17.270	Reintegration of Ex-Offenders		-	-	
	Pass Through From: Worksystems Inc	00000000037000		59,635	
	<i>Total 17.270</i>				59,635
17.271	Work Opportunity Tax Credit Program (WOTC)		-	312,568	312,568
17.273	Temporary Labor Certification for Foreign Workers		-	135,273	135,273
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants		4,515,519	1,557,995	6,073,514
17.281	WIO/WIOA Dislocated Worker National Reserve Technical Assistance and Training		-	145,582	145,582
17.285	Apprenticeship USA Grants		112,504	37,349	149,853
17.503	Occupational Safety and Health_State Program		-	5,948,414	5,948,414

Employment Service Cluster

17.207	Employment Service/Wagner-Peyser Funded Activities	\$	-	\$	(4,962,039)	\$	(4,962,039)
17.801	Disabled Veterans' Outreach Program (DVOP)		-		2,712,890		2,712,890

Total Employment Service Cluster

		\$	-	\$	(2,249,149)	\$	(2,249,149)
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WIOA Cluster

17.258	WIA/WIOA Adult Program	\$	8,523,919	\$	358,283	\$	8,882,202
17.259	WIA/WIOA Youth Activities		9,621,522		438,916		10,060,438
17.278	WIA/WIOA Dislocated Worker Formula Grants		10,005,894		3,086,960		13,092,854

Total WIOA Cluster

		\$	28,151,335	\$	3,884,159	\$	32,035,494
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Total Department of Labor

		\$	34,000,241	\$	619,214,753	\$	653,214,994
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Department of Transportation

20.106	Airport Improvement Program	\$	-	\$	1,819,237	\$	1,819,237
20.200	Highway Research and Development Program		248,417		-		248,417
20.232	Commercial Driver's License Program Improvement Grant		-		138,396		138,396
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants		769,307		511,485		1,280,792
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		261,893		135,264		397,157
20.509	Formula Grants for Rural Areas		12,110,351		1,821,370		13,931,721
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program		-		559,340		559,340
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		632,299		215,753		848,052
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		-		79,300		79,300
20.700	Pipeline Safety Program State Base Grant		-		467,451		467,451
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		82,821		173,329		256,150
20.933	National Infrastructure Investments		-		55,946		55,946

Highway Planning and Construction Cluster

20.205	Highway Planning and Construction	\$	29,447,229	\$	458,612,080	\$	-
	Pass through from: Oregon State University		-		14,754		-
	<i>Total 20.205</i>						488,074,063

20.219	Recreational Trails Program		843,830		338,407		1,182,237
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Total Highway Planning and Construction Cluster

		\$	30,291,059	\$	458,965,241	\$	489,256,300
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The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Federal Transit Cluster					
20.500	Federal Transit_Capital Investment Grants		\$ 859,663	\$ -	\$ 859,663
20.507	Federal Transit_Formula Grants		508,329	2,286,585	2,794,914
20.526	Bus and Bus Facilities Formula Program		1,317,340	-	1,317,340
Total Federal Transit Cluster			\$ 2,685,332	\$ 2,286,585	\$ 4,971,917
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		\$ 14,202,262	\$ 1,299,666	\$ 15,501,928
Total Transit Services Programs Cluster			\$ 14,202,262	\$ 1,299,666	\$ 15,501,928
Highway Safety Cluster					
20.600	State and Community Highway Safety		\$ 720,690	\$ 1,657,945	\$ 2,378,635
20.616	National Priority Safety Programs		1,491,027	1,978,721	3,469,748
Total Highway Safety Cluster			\$ 2,211,717	\$ 3,636,666	\$ 5,848,383
Total Department of Transportation			\$ 63,495,458	\$ 472,165,029	\$ 535,660,487
Department of the Treasury					
21.U01	ASSET FORFEITURE		\$ -	\$ 80,108	\$ 80,108
21.U02	NFMC		111,756	21,015	132,771
Total Department of the Treasury			\$ 111,756	\$ 101,123	\$ 212,879
Equal Employment Opportunity Commission					
30.001	Employment Discrimination_Title VII of the Civil Rights Act of 1964		\$ -	\$ 366,195	\$ 366,195
Total Equal Employment Opportunity Commission			\$ -	\$ 366,195	\$ 366,195
General Services Administration					
39.002	Disposal of Federal Surplus Real Property		\$ 43,776	\$ -	\$ 43,776
39.003	Donation of Federal Surplus Personal Property		3,658,197	228,768	3,886,965
Total General Services Administration			\$ 3,701,973	\$ 228,768	\$ 3,930,741
National Endowment for the Arts					
45.025	Promotion of the Arts_Partnership Agreements		\$ 701,616	\$ 21,928	\$ 723,544
Total National Endowment for the Arts			\$ 701,616	\$ 21,928	\$ 723,544

Institute Of Museum and Library Services

45.301	Museums for America	\$	-	\$	38,328	\$	38,328
45.310	Grants to States		773,785		1,419,271		2,193,056

Total Institute Of Museum and Library Services

		\$	773,785	\$	1,457,599	\$	2,231,384
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Small Business Administration

59.061	State Trade Expansion	\$	502,400	\$	111,420	\$	613,820
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Total Small Business Administration

		\$	502,400	\$	111,420	\$	613,820
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Department of Veterans Affairs

64.005	Grants to States for Construction of State Home Facilities	\$	-	\$	850,287	\$	850,287
64.015	Veterans State Nursing Home Care		-		19,877,202		19,877,202
64.035	Veterans Transportation Program		597,593		57,802		655,395
64.053	Payments to States for Programs to Promote the Hiring and Retention of Nurses at State Veterans Homes		-		19,966		19,966
64.125	Vocational and Educational Counseling for Servicemembers and Veterans		-		33,448		33,448
64.U01	231301				1,206		1,206

Total Department of Veterans Affairs

		\$	597,593	\$	20,839,911	\$	21,437,504
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Environmental Protection Agency

66.032	State Indoor Radon Grants	\$	-	\$	35,434	\$	35,434
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		63,711		744,997		808,708
66.039	National Clean Diesel Emissions Reduction Program		604,162		12,596		616,758
66.040	State Clean Diesel Grant Program		92,834		176,608		269,442
66.432	State Public Water System Supervision		483,745		1,052,632		1,536,377
66.454	Water Quality Management Planning		-		152,000		152,000
66.460	Nonpoint Source Implementation Grants		344,289		24,787		369,076
66.461	Regional Wetland Program Development Grants		-		144,901		144,901
66.472	Beach Monitoring and Notification Program Implementation Grants		-		296,447		296,447
66.605	Performance Partnership Grants		11,330		5,361,872		5,373,202
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		-		77,247		77,247
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		-		549,256		549,256
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		-		227,212		227,212
66.708	Pollution Prevention Grants Program		16,249		5,805		22,054

The accompanying notes are an integral part of this schedule.

**State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)**

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		-	329,575	329,575
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		-	380,000	380,000
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		-	1,054,000	1,054,000
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		-	130,604	130,604
66.817	State and Tribal Response Program Grants		-	895,362	895,362
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		224,035	30,650	254,685
Clean Water State Revolving Fund Cluster					
66.458	Capitalization Grants for Clean Water State Revolving Funds		\$ 21,968,732	\$ -	\$ 21,968,732
Total Clean Water State Revolving Fund Cluster			\$ 21,968,732	\$ -	\$ 21,968,732
Drinking Water State Revolving Fund Cluster					
66.468	Capitalization Grants for Drinking Water State Revolving Funds		\$ 11,957,686	\$ 3,597,295	\$ 15,554,981
Total Drinking Water State Revolving Fund Cluster			\$ 11,957,686	\$ 3,597,295	\$ 15,554,981
Total Environmental Protection Agency			\$ 35,766,773	\$ 15,279,280	\$ 51,046,053
Department of Energy					
81.041	State Energy Program		\$ -	\$ 561,032	\$ 561,032
81.042	Weatherization Assistance for Low-Income Persons		2,609,644	211,386	2,821,030
81.087	Renewable Energy Research and Development		-	54,654	54,654
81.104	Environmental Remediation and Waste Processing and Disposal		11,200	866,016	877,216
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions		-	(3,750)	
	Pass Through from: Western Governors' Association	000000000000045	-	68,602	
	<i>Total 81.106</i>				64,852
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical		-	-	
	Pass Through from: WA State Dept. of Commerce	000000000006000	-	114,487	
	<i>Total 81.117</i>				114,487

81.119	State Energy Program Special Projects		-	20,106	
	Pass Through from: TN Dept of Env and Con	00000000000101	-	24,833	
	<i>Total 81.119</i>				44,939
81.U01	12 48		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	26,597	
	<i>Total 81.U01</i>				26,597
81.U02	13 46		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	19,147	
	<i>Total 81.U02</i>				19,147
81.U03	13 47		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	56,619	
	<i>Total 81.U03</i>				56,619
81.U04	13 77		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	768,714	
	<i>Total 81.U04</i>				768,714
81.U05	14 41		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	306,060	
	<i>Total 81.U05</i>				306,060
81.U06	14 67		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	28,015	
	<i>Total 81.U06</i>				28,015
81.U07	16 60G		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	28,418	
	<i>Total 81.U07</i>				28,418
81.U08	17120G		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	262,829	
	<i>Total 81.U08</i>				262,829
81.U09	17123G		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	191,745	
	<i>Total 81.U09</i>				191,745

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
81.U10	1992 026 01		-	19,327	19,327
81.U11	1992 026 04		-	963,098	963,098
81.U12	1993 066 00 59142		-	914,276	914,276
81.U13	1994 042 00		-	344,326	344,326
81.U14	1998 016 00		-	718,560	718,560
81.U15	2011 004 00		-	212,160	212,160
81.U16	4020002017		-	-	
	Pass Through from: Confed Tribes Umatilla Indian	930624734	-	<u>102,175</u>	
	<i>Total 81.U16</i>				102,175
81.U17	56429021 0060620		-	495,830	495,830
81.U18	59270		-	78,328	78,328
81.U19	594451993 040 00		-	259,989	259,989
81.U20	603261998 007 04		-	185,836	185,836
81.U21	606292011 006 00		-	157,161	157,161
81.U22	60848		-	84,643	84,643
81.U23	62559 1988 053 04		-	400,257	400,257
81.U24	62674 1988 053 08		-	155,230	155,230
81.U25	62683		-	125,163	125,163
81.U26	628722007 404 00		-	27,662	27,662
81.U27	63090 2007 404 00		-	24,447	24,447
81.U28	63178 1988 053 08		-	121,863	121,863
81.U29	63186		-	1,121,083	1,121,083
81.U30	63214 2007 402 00		-	7,648	7,648
81.U31	63235		-	65,219	65,219
81.U32	632371993 060 00		-	703,095	703,095
81.U33	63378		-	69,358	69,358
81.U34	63486		-	446,792	446,792
81.U35	63517		-	458,245	458,245
81.U36	63615		-	156,331	156,331
81.U37	636161996 040 00		-	22,519	22,519
81.U38	70589		1,601,954	132,775	1,734,729
81.U39	71935			404,901	404,901
81.U40	74059			803,950	803,950

81.U41	74313 2			633,872	633,872	
81.U42	75058			233,150	233,150	
81.U43	75338			939,021	939,021	
81.U44	75495			156,065	156,065	
81.U45	75975			275,096	275,096	
81.U46	C 17641 16			-	-	
	Pass Through from: Confed Tribes Warm Springs Ind	390383362		-	7,051	
	<i>Total 81.U46</i>				7,051	
81.U47	T 17328 16			-	-	
	Pass Through from: Confed Tribes Warm Springs Ind	390383362		-	14,817	
	<i>Total 81.U47</i>				14,817	
Total Department of Energy				\$ 4,222,798	\$ 15,646,829	\$ 19,869,627
Department of Education						
84.002	Adult Education - Basic Grants to States			\$ 4,335,350	\$ 593,285	\$ 4,928,635
84.010	Title I Grants to Local Educational Agencies			138,349,130	1,326,553	139,675,683
84.011	Migrant Education_State Grant Program			8,759,147	1,388,684	10,147,831
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth			1,516,979	10,636	1,527,615
84.048	Career and Technical Education -- Basic Grants to States			11,247,101	1,454,957	12,702,058
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States			678,945	50,499,373	51,178,318
84.144	Migrant Education_Coordination Program			20,000	55,837	75,837
84.169	Independent Living_State Grants			-	22,341	22,341
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind			-	317,390	317,390
84.181	Special Education-Grants for Infants and Families			4,202,974	286,216	4,489,190
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities			-	132,285	132,285
84.196	Education for Homeless Children and Youth			482,484	138,703	621,187
84.265	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training			-	868	868
84.282	Charter Schools			720,322	177,460	897,782
84.287	Twenty-First Century Community Learning Centers			9,768,141	471,760	10,239,901
84.305	Education Research, Development and Dissemination			-	3,372	3,372
84.323	Special Education - State Personnel Development			153,277	415,704	568,981

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities Pass Through from: Kansas University for Research <i>Total 84.326</i>	0000001246000	<u>99,151</u>	<u>6,566</u>	105,717
84.358	Rural Education		1,539,583	53,850	1,593,433
84.365	English Language Acquisition State Grants		6,404,071	340,607	6,744,678
84.366	Mathematics and Science Partnerships		1,532,526	28,409	1,560,935
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)		19,358,391	547,052	19,905,443
84.368	Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)		-	1,285,257	1,285,257
84.377	School Improvement Grants		2,932,381	125,357	3,057,738
84.369	Grants for State Assessments and Related Activities		-	4,773,568	4,773,568
84.378	College Access Challenge Grant Program		-	75,000	75,000
84.412	Race to the Top Early Learning Challenge		2,082,536	3,600,321	5,682,857
84.U01	68000		-	9,248	9,248
84.U02	73815		-	24,240	24,240
84.U03	EDIES14C0097		-	153,260	153,260
Special Education Cluster (IDEA)					
84.027	Special Education_Grants to States		\$ 119,316,812	\$ 6,410,914	\$ 125,727,726
84.173	Special Education_Preschool Grants		2,793,837	259,874	3,053,711
Total Special Education Cluster (IDEA)			\$ 122,110,649	\$ 6,670,788	\$ 128,781,437
Total Department of Education			\$ 336,293,138	\$ 74,988,947	\$ 411,282,085
Elections Assistance Commission					
90.401	Help America Vote Act Requirements Payments		\$ 12,129	\$ 866,318	\$ 878,447
Total Elections Assistance Commission			\$ 12,129	\$ 866,318	\$ 878,447

Department of Health and Human Services

93.041	Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation		\$	45,808	\$	-	\$	45,808
93.042	Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals			-		196,289		196,289
93.043	Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services			182,111		-		182,111
93.048	Special Programs for the Aging_ Title IV_and Title II_Discretionary Projects			25,062		264,448		289,510
93.051	Alzheimer's Disease Demonstration Grants to States			257,055		64,243		321,298
93.052	National Family Caregiver Support, Title III, Part E			1,860,469		87,910		1,948,379
93.069	Public Health Emergency Preparedness			3,411,260		4,343,358		7,754,618
93.070	Environmental Public Health and Emergency Response			132,010		1,273,399		
	Pass Through from: Multnomah County	40000000000010		-		114,171		
	<i>Total 93.070</i>							1,519,580
93.071	Medicare Enrollment Assistance Program			218,613		5,963		224,576
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance			-		257,292		257,292
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			203,332		560,762		764,094
93.082	Sodium Reduction in Communities			89,063		108,610		197,673
93.090	Guardianship Assistance			-		7,330,010		7,330,010
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program			402,409		280,621		683,030
93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants			-		-		
	Pass Through from: Worksystems Inc	00000000037000		-		49,743		
	<i>Total 93.093</i>							49,743
93.103	Food and Drug Administration_Research			-		1,243,559		1,243,559
93.110	Maternal and Child Health Federal Consolidated Programs			-		130,424		130,424
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			73,463		491,437		564,900
93.127	Emergency Medical Services for Children			-		114,391		114,391
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices			-		217,267		217,267
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention			-		-		
	Pass Through from: Oregon State University	30000000000004		-		55,000		
	<i>Total 93.135</i>							55,000

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.136	Injury Prevention and Control Research and State and Community Based Programs		572,426	1,636,843	2,209,269
93.150	Projects for Assistance in Transition from Homelessness (PATH)		546,632	9,897	556,529
93.161	Health Program for Toxic Substances and Disease Registry		-	2,626	2,626
93.197	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children		-	251,934	251,934
93.217	Family Planning_Services		2,371,801	573,060	2,944,861
93.235	Affordable Care Act (ACA) Abstinence Education Program		41,777	767,864	809,641
93.236	Grants to States to Support Oral Health Workforce Activities		123,366	283,742	407,108
93.240	State Capacity Building		-	493,239	493,239
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance		1,897,329	1,277,482	3,174,811
93.251	Universal Newborn Hearing Screening		-	257,815	257,815
93.262	Occupational Safety and Health Program		404,686	224,293	628,979
93.268	Immunization Cooperative Agreements		(600)	47,317,229	47,316,629
93.270	Adult Viral Hepatitis Prevention and Control		-	130,465	130,465
93.275	Substance Abuse and Mental Health Services-Access to Recovery		-	1,916,431	1,916,431
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance		906,179	7,309,011	
	Pass Through from: Natl Assoc Chronic Dis Direct	40000000000015		562,499	
	<i>Total 93.283</i>				8,777,689
93.317	Emerging Infections Programs		3,581	737,106	740,687
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases		109,444	2,893,673	3,003,117
93.324	State Health Insurance Assistance Program		-	36,963	36,963
93.336	Behavioral Risk Factor Surveillance System		-	408,378	408,378
93.369	ACL Independent Living State Grants		-	279,160	279,160
93.464	ACL Assistive Technology		397,437	2,500	399,937
93.500	Pregnancy Assistance Fund Program		784,663	241,005	1,025,668
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		-	82,440	82,440
93.507	PPHF National Public Health Improvement Initiative		-	23	23

93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	-	594,022	594,022
93.517	Affordable Care Act – Aging and Disability Resource Center	34,921	137,095	172,016
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	100,177	1,597,278	1,697,455
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	11,312	2,747,890	2,759,202
93.556	Promoting Safe and Stable Families	1,994,264	2,926,928	4,921,192
93.563	Child Support Enforcement	9,673,091	58,433,031	68,106,122
93.566	Refugee and Entrant Assistance_State Administered Programs	-	3,037,225	3,037,225
93.568	Low-Income Home Energy Assistance	34,790,503	1,921,631	36,712,134
93.569	Community Services Block Grant	5,173,942	305,973	5,479,915
93.576	Refugee and Entrant Assistance_Discretionary Grants	-	(603)	(603)
93.579	U.S. Repatriation	-	2,019	2,019
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants	-	631,197	631,197
93.586	State Court Improvement Program	-	397,752	397,752
93.590	Community-Based Child Abuse Prevention Grants	-	216,964	216,964
93.597	Grants to States for Access and Visitation Programs	52,384	55,598	107,982
93.599	Chafee Education and Training Vouchers Program (ETV)	-	1,239,678	1,239,678
93.600	Head Start	-	109,084	109,084
93.601	Child Support Enforcement Demonstrations and Special Projects	-	53,837	53,837
93.603	Adoption Incentive Payments	-	38,189	38,189
93.605	Family Connection Grants	-	(138,946)	(138,946)
93.609	The Affordable Care Act – Medicaid Adult Quality Grants	-	112,618	112,618
93.617	Voting Access for Individuals with Disabilities_Grants to States	97	3,996	4,093
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	482,649	7,957,811	8,440,460
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	630,626	630,626
93.643	Children's Justice Grants to States	-	176,353	176,353
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	5,427,588	5,427,588
93.652	Adoption Opportunities	-	505,020	505,020
93.658	Foster Care_Title IV-E	3,674,679	100,098,819	103,773,498
93.659	Adoption Assistance	-	40,178,399	40,178,399
93.667	Social Services Block Grant	4,634,483	17,560,816	22,195,299
93.669	Child Abuse and Neglect State Grants	-	397,704	397,704

The accompanying notes are an integral part of this schedule.

**State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)**

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		1,426,965	6,711	1,433,676
93.674	Chafee Foster Care Independence Program		-	2,204,241	2,204,241
93.719	Advance Interoperable Health Information Technology Services to Support Health Information Exchange		8,833	632,729	641,562
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)		-	561,891	561,891
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)		81,959	88,587	170,546
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)		-	135,402	135,402
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund		-	49,185	49,185
93.757	State and Local Public Health Actions to Prevent, Obesity, Diabetes, Heart Disease and Stroke (PPHF)		406,259	649,608	1,055,867
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		73,849	1,016,330	1,090,179
93.767	Children's Health Insurance Program		-	194,714,028	194,714,028
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		227,253	138,935	366,188
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid		-	2,658,926	2,658,926
93.800	Organized Approaches to Increase Colorectal Cancer Screening		155,145	629,520	784,665
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		-	784,215	784,215
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		159,782	1,014	160,796
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services		-	446,700	446,700
93.876	Antimicrobial Resistance Surveillance in Retail Food Specimens		-	88,384	88,384
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program		-	88,405	88,405
93.889	National Bioterrorism Hospital Preparedness Program		769,487	1,790,326	2,559,813

93.917	HIV Care Formula Grants	78,670	-	78,670
93.940	HIV Prevention Activities_Health Department Based	761,788	732,961	1,494,749
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	923,802	709,761	1,633,563
93.945	Assistance Programs for Chronic Disease Prevention and Control	2,539	926,711	929,250
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	-	125,957	125,957
93.958	Block Grants for Community Mental Health Services	5,522,138	671,670	6,193,808
93.959	Block Grants for Prevention and Treatment of Substance Abuse	18,545,730	96,161	18,641,891
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants	-	880,474	880,474
93.994	Maternal and Child Health Services Block Grant to the States	1,822,058	3,239,116	5,061,174
Aging Cluster				
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	\$ 4,685,146	\$ 252,972	\$ 4,938,118
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	7,799,231	298,939	8,098,170
93.053	Nutrition Services Incentive Program	1,983,772	-	1,983,772
Total Aging Cluster		\$ 14,468,149	\$ 551,911	\$ 15,020,060
Maternal, Infant, and Early Childhood Home Visiting Cluster				
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	\$ 5,311,687	\$ 2,510,250	\$ 7,821,937
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	-	4,971	4,971
Total Maternal, Infant, and Early Childhood Home Visiting Cluster		\$ 5,311,687	\$ 2,515,221	\$ 7,826,908
TANF Cluster				
93.558	Temporary Assistance for Needy Families	\$ 918,785	\$ 140,995,877	\$ 141,914,662
Total TANF Cluster		\$ 918,785	\$ 140,995,877	\$ 141,914,662
CCDF Cluster				
93.575	Child Care and Development Block Grant	\$ 8,371,870	\$ 21,109,665	\$ 29,481,535
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	278,651	29,241,100	29,519,751
Total CCDF Cluster		\$ 8,650,521	\$ 50,350,765	\$ 59,001,286

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units		\$ -	\$ 1,848,935	\$ 1,848,935
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		-	5,218,519	5,218,519
93.778	Medical Assistance Program		-	7,012,699,253	7,012,699,253
Total Medicaid Cluster			\$ -	\$ 7,019,766,707	\$ 7,019,766,707
Total Department of Health and Human Services			\$ 135,997,277	\$ 7,760,488,596	\$ 7,896,485,873
Corporation For National and Community Service					
94.003	State Commissions		\$ 46,068	\$ 181,406	\$ 227,474
94.006	AmeriCorps		2,728,035	-	2,728,035
94.009	Training and Technical Assistance		-	22,429	22,429
94.013	Volunteers in Service to America		-	-	-
	Pass Through from: Corp for Ntl and Comm Service	100000000000007	-	20,986	20,986
	<i>Total 94.013</i>				20,986
Total Corporation For National and Community Service			\$ 2,774,103	\$ 224,821	\$ 2,998,924
Office of National Drug Control Policy Reauthorization Act of 2006					
95.001	High Intensity Drug Trafficking Areas Program		\$ -	\$ 3,284,039	\$ 3,284,039
Total Office of National Drug Control Policy Reauthorization Act of 2006			\$ -	\$ 3,284,039	\$ 3,284,039
Social Security Administration					
96.008	Social Security - Work Incentives Planning and Assistance Program		\$ -	\$ 27,001	\$ 27,001
Disability Insurance/SSI Cluster					
96.001	Social Security_Disability Insurance		\$ -	\$ 29,130,460	\$ 29,130,460
Total Disability Insurance/SSI Cluster			\$ -	\$ 29,130,460	\$ 29,130,460
Total Social Security Administration			\$ -	\$ 29,157,461	\$ 29,157,461
Department of Homeland Security					
97.008	Non-Profit Security Program		\$ 174,383	\$ 8,292	\$ 182,675
97.012	Boating Safety Financial Assistance		1,211,653	168,143	1,379,796

97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	-	221,820	221,820
97.029	Flood Mitigation Assistance	15,444	-	15,444
97.036	Disaster Grants - Public Assistance (Presidentially Declared)	14,332,983	366,009	14,698,992
97.039	Hazard Mitigation Grant	1,791,534	478,752	2,270,286
97.041	National Dam Safety Program	-	88,117	88,117
97.042	Emergency Management Performance Grants	4,227,314	1,184,125	5,411,439
97.043	State Fire Training Systems Grants	-	20,000	20,000
97.045	Cooperating Technical Partners	2,900	812,155	815,055
97.046	Fire Management Assistance Grant	152,951	3,580,787	3,733,738
97.047	Pre-Disaster Mitigation	1,073,720	115,127	1,188,847
97.067	Homeland Security Grant Program	2,463,677	1,636,693	4,100,370
97.073	State Homeland Security Program (SHSP)	23,350	65,805	89,155
Total Department of Homeland Security		\$ 25,469,909	\$ 8,745,825	\$ 34,215,734
Total Expenditures of Federal Awards		\$ 936,051,076	\$ 10,332,284,270	\$ 11,268,335,346

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of
Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Note 1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Oregon and is presented using the bases of accounting of the originating funds. These include both the modified accrual and accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

The financial statements of the State of Oregon include all fund types for all agencies, boards, commissions, authorities, and courts, that are legally part of the State's primary government and its component units. The Oregon Health & Science University (OHSU), University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Western Oregon University (WOU), Southern Oregon University (SOU), Eastern Oregon University (EOU), and Oregon Institute of Technology (OIT) are legally separate component units. For the year ended June 30, 2017, these component units have issued separate financial statements and have obtained a separate single audit as outlined in §200.514 of Uniform Guidance. Therefore, the accompanying schedule does not include the federal grant activity of these component units. A copy of these reports can be obtained from these institutions as follows:

OHSU, 2525 SW Third Avenue, Suite 245, Portland, Oregon 97201.

UO, PO Box 3237, Eugene, Oregon 97403.

OSU, 100 Kerr Administration Building, Corvallis, Oregon 97331.

PSU, 1600 SW 4th Ave, Suite 518, Portland, Oregon 97201.

WOU, 345 Monmouth Ave N, Monmouth, Oregon 97361.

SOU, 1250 Siskiyou Blvd, Ashland, Oregon 97520.

EOU, 1 University Blvd, La Grande, Oregon 97850.

OIT, 3201 Campus Dr, Klamath Falls, Oregon 97601.

The State of Oregon has not elected to use the 10 percent de minimis cost rates as covered in §200.414 "Indirect (F&A) costs" of Uniform Guidance.

Note 2. Programs Involving Non-Cash Assistance

Federal expenditures reported in the schedule include the following non-cash assistance programs. All values are either fair market value at the time of receipt or assessed value provided by the federal agency.

CFDA Number	Title	Type of Assistance	Value
10.555	National School Lunch Program	Commodities	\$15,939,286
10.559	Summer Food Service Program for Children	Commodities	34,001
10.565	Commodity Supplemental Food Program	Commodities	267,466
10.569	Emergency Food Assistance Program	Commodities	7,870,696
39.003	Donation of Federal Surplus Personal Property	Donated Federal Surplus	3,886,965
93.268	Immunization Cooperative Agreements	Vaccines	<u>45,517,466</u>
	Total		<u>\$73,515,880</u>

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 3. Unemployment Insurance

State unemployment tax revenues and the other governmental, tribal and non-profit reimbursements in lieu of State taxes are deposited into the Unemployment Trust Fund in the U.S. Treasury.

These funds may only be used to pay benefits under federally approved State unemployment law. State unemployment insurance funds are included with federal funds in the total expenditures for CFDA 17.225 (Unemployment Insurance Program). Of the \$595,549,959.28 reported as expenditures for the Unemployment Insurance program, \$497,674,280.66 represented expenditures of State funds held in the Unemployment Trust Fund.

Note 4. Revolving Loan Fund (RLF) Grant (CFDA 11.307)

The Expenditures for the Revolving Loan Fund (RLF) Grant (CFDA 11.307) made during the year ended June 30, 2017 are calculated as follows:

1) Balance of RLF loans outstanding at the end of the fiscal year	\$ 6,050,661
2) Cash and investment balance in the RLF at the end of fiscal year	4,558,126
3) Administrative expenses paid out of RLF income during the recipient's fiscal year	12,062
4) The unpaid principal of all loans written off during the fiscal year	<u>0</u>
Total	\$10,620,849
5) The Federal Share of RLF (2,000,000/2,667,000)	<u>75%</u>
6) Federal Awards Expended during the fiscal year	<u>\$ 7,965,637</u>

Prior Year Financial Statement Findings

This section includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2016. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2015 that were uncorrected at June 30, 2016.

Finding 2016-001: **Department of Human Services/Oregon Health Authority**
Ensure Proper Classification of Rebates and Recoveries Revenues
Significant Deficiency

Recommendation: Management review the coding that points transactions to rebates and recoveries and other revenues to ensure proper classification of these transactions.

Status: Corrective action taken.

Finding 2016-002: **Oregon Health Authority**
Strengthen Methodology for Drug Rebate Allowance
Significant Deficiency

Recommendation: Authority management strengthen its methodology to ensure a more accurate estimate of the collectability of drug rebates for the current period.

Status: Partial corrective action taken. The agency response is as follows:

The Office of Financial Services has worked with our contractor to provide a more accurate report for estimating the allowance for doubtful accounts.

Finding 2016-003: **Department of Human Services/Oregon Health Authority**
Follow Appropriate Methodologies for Revenue and Expenditure
Accruals
Significant Deficiency

Recommendation: Department management ensure the proper application of established accrual methodologies and that accrual efforts are not resulting in duplicate expenditures or revenues.

Status: Corrective action taken

Finding 2016-004: **Department of Human Service**
Establish Controls to Eliminate Program Tracking Activity
Significant Deficiency

Recommendation: Department management establish controls to ensure program activity is eliminated from the internal service fund for financial reporting purposes.

Status: Corrective action taken

Finding 2016-005: **Oregon Business Development Department**
Improve Investment Financial Reporting Controls
Material Weakness

Recommendation: Department management

- Develop and implement a process to review existing investment partnerships' valuations for financial reporting purposes and document the review.
- At the direction of the Board, evaluate when an investment fund should be required to have audited financial statements and ensure agreements incorporate this requirement as applicable.
- Review the investment consultant's quarterly report and ensure it is complete based on the department's accounting records and other processes.
- Review the accounting records to ensure the records are consistently and accurately recorded and correct any existing errors in investment cost.
- Assume responsibility for recording the investment entries in the accounting records from the Department of Administrative Services.

Status: Partial corrective action taken. The agency response is as follows:

1. OBDD fiscal staff along with the Capital Strategist have started to organize all of the electronic records and receive all reporting from the investment funds along with the consulting firm. We are in the process of writing procedures for the process of reviewing investment partnerships' valuations for financial reporting purposes on a quarterly basis. That review will be documented in a timely manner and remain in the electronic records within the department. This work has not been completed to date but is in the process of being completed.

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2. At the May 23, 2017 board meeting, the Oregon Growth Board (OGB) unanimously approved the following motion:

Move that the Oregon Growth Board adopts the following investment goals to comply with a recent Secretary of State's audit of the Oregon Growth Account:

- i. Set a long-term goal for getting the percentage of unaudited funds in the OGA portfolio to 10% or less.
- ii. Set an annual plan for percentage of new capital committed to unaudited funds not to exceed:
 - a. 2017 = 15%
 - b. 2018 = 12.5%
 - c. 2019 = 10%
 - d. Every year to follow = 10% or less

This recommendation has been completed by the OGB and the OBDD staff.

3. The Finance Team at OBDD is currently reviewing all accounting records that are still being managed by DAS and Treasury to ensure that they are consistently and accurately recorded.
4. OBDD has been working diligently with DAS to review the existing accounting entries and correct existing errors in investment costs from prior fiscal years to create a consistent and correct accounting record. These are however not all complete, both OBDD and DAS are currently working through this process as there are many accounting entries to review and assess for accuracy.
5. Investment records (both hard copy and electronic copy) of documents have been received from Treasury to OBDD for investments they oversee the management of. We are working through correcting accounting entries with DAS before the movement of accounting related to investments of the OGA are transitioned to OBDD so that we have a clean transition. This will be completed by the end of the current calendar year both from Treasury and from DAS.

Finding 2016-006: **Department of Revenue**
Strengthen Procedures for Taxes Receivables and Accounts Payable
Accruals
Material Weakness

Recommendation: The department update policies and procedures related to the taxes receivable and accounts payable calculations, and provide relevant training to staff who are assigned to complete and review the calculations to ensure the calculations are complete and accurate.

Status: Partial corrective action taken. The agency response is as follows:

Corrective action taken has been the development procedures and peer review processes to maintain quality control assurances over calculations. Arrangements have been made for staff to receive additional training during Gen Tax Rollout 4 in the fall of 2017 and by the Department of Administrative Services Statewide Accounting and Report Services team.

Anticipated completion date: Fall 2017

Finding 2016-007: **Department of Revenue**
Perform and Review Cash Reconciliations on a Regular and Timely Basis
Significant Deficiency

Recommendation: Department management ensure cash accounts in its subsidiary accounting systems are consistently and timely reconciled to the state accounting system and that all cash reconciliations are separately reviewed and approved.

Status: Partial corrective action taken. The agency response is as follows:

Two additional resources were added to the Finance team in February and July 2017 to specifically focus on reconciliations to the state accounting system and cash accounts. An accounting manager has been hired and will start work at Revenue on September 5, 2017. The accounting manager will be charged with conducting a review of all reconciliations performed. Finance anticipates that all reconciliations will be up-to-date and reviewed by November 2017.

Finding 2016-008: **Department of Revenue**
Improve Monitoring Controls to Ensure Revenues are Recorded to the Proper Period
Significant Deficiency

Recommendation: Department management develop and implement effective monitoring procedures to ensure all accounting transactions are entered in the state accounting system in the proper period for financial reporting purposes.

Status: Partial corrective action taken. The agency response is as follows:

Finance has implemented a peer review process which ensures the accuracy of accounting transactions. Peer reviews began in January 2017 for all transactions associated with distributions and accounts payable. Peer reviews for reconciliations is anticipated to be completed by November 2017.

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Finding 2016-009: **Department of Revenue**
Controls over System Access Need Strengthening
Significant Deficiency

Recommendation: Department management ensure employee system access be reviewed regularly and promptly revoked upon termination or updated upon transfer of employee responsibilities within the agency.

Status: Partial corrective action taken. The agency response is as follows:

HR has developed and implemented a termination checklist tool for managers to utilize during the separation process. The Information Technology Systems (ITS) group has provided Request for Computer Access (RCA) training to Department managers. ITS has also held meetings with RCA coordinators and other stakeholders to identify potential process improvements. Long-term RCA solution recommendations are currently under development by the ITS group. Several solutions will be presented to the Revenue Leadership Team (RLT) for their consideration. The presentation of these solutions to RLT is anticipated to occur October 2017.

Finding 2016-010: **Department of Veterans' Affairs**
Improve Process over SEFA Reporting
Significant Deficiency

Recommendation: The department ensure federal expenditures are correctly classified in the accounting records.

Status: Corrective action taken

Finding 2016-011: **Department of Environmental Quality**
Financial Services Controls Need Improvement
Significant Deficiency

Recommendation: Department management strengthen its monitoring of internal control procedures to ensure revenue transactions and receivables are accurate and properly recorded in accordance with generally accepted accounting principles, and ensure proper safeguarding of cash receipts.

Status: Partial corrective action taken. The agency response is as follows:

The agency revised its accrual methodology for estimating charges for services revenue to include all activity related to the fiscal year. The agency also revised its procedures for federal revenue draws to ensure that draws are not rounded up by more than \$100 in excess of expenditures incurred at the time of the draw. The agency has not yet implemented a process to reconcile subsidiary databases and information systems to the State accounting system because the Agency was unable to fill necessary accounting section vacancies as soon as anticipated, but

anticipates doing so by October 31, 2017. Also, while the agency resumed its prior practice of restrictively endorsing checks once received in the accounting section, the Agency recognizes that the checks should be restrictively endorsed in the mailroom. Staffing shortages have limited our ability to do this, but we anticipate doing this by October 31, 2017.

Finding 2016-012: **Higher Education Coordinating Commission**
Distribution to Community Colleges - Accrual Process
Material Weakness

Recommendation: Department management implement adequate processes that ensure year-end accruals for distributions for construction projects and Title II grant payments are properly and timely recorded in the accounting records.

Status: Partial corrective action taken. The agency response is as follows:

The Office of Operations had draft policies and processes in place for FY17 year-end close. Now that year end is over, we plan to meet and update the policies and procedures based on how year-end progressed for us this year. The accruals for Title II were done as well as for the Community College CCSF Contracts. There were; however, some accruals that were still missed including two construction payments. We are preparing management reports on our programs this biennium which will include all open and pending contracts. Each grant accountant will be able to determine which accruals need to be done as well as the amounts of the accruals.

Finding 2016-013: **Higher Education Coordinating Commission**
Improve Processes Over University Debt
Material Weakness

Recommendation: Department management finalize and document the processes and controls over the accounting and monitoring of the university debt related accounts.

Status: Partial corrective action taken. The agency response is as follows:

We currently have regular meetings with the DAS Capital Planning and Finance Section to discuss upcoming bond sales and refundings as well as any other current issues with University Debt. We have regular communication with SARS as well to ensure the debt is being properly recorded. As with our accrual policy, we have draft policies and procedures in place and we will be meeting now that year end is over to finalize them.

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Finding 2016-014 **Higher Education Coordinating Commission**
Cash Reconciliation Not Reviewed
Significant Deficiency

Recommendation: Department management ensure reconciliations are timely reviewed by management.

Status: Corrective action taken.

Finding 2016-015: **Department of Forestry**
Improve Accrual Process and Documentation
Significant Deficiency

Recommendation: Department management review current accrual methodologies, and update procedures as necessary, to ensure revenues and receivables are recorded in accordance with generally accepted accounting principles, and ensure adequate support for estimates.

Status: Corrective action taken.

Finding 2016-016: **Department of Transportation**
Employee Access to the State's Payroll System was not Timely Revoked
Significant Deficiency

Recommendation: Department management review its policies and procedures for revoking access to the payroll system and ensure staff responsibilities are clearly defined.

Status: Corrective action taken.

Finding 2015-004: **Department of Revenue**
Perform Cash reconciliations on a Regular and Timely Basis
Significant Deficiency

Recommendation: Department management ensure cash accounts in its subsidiary accounting systems are consistently and timely reconciled to the Oregon State Treasury accounts and the state accounting system.

Status: Partial corrective action taken. The agency response is as follows:

Two additional resources were added to the Finance team in February and July 2017 to specifically focus on reconciliations to the state accounting system and cash accounts. An accounting manager has been hired and will start work at Revenue on September 5, 2017. The accounting manager will be charged with conducting a review of all reconciliations performed. Finance anticipates that all reconciliations will be up-to-date and reviewed by November 2017.

Prior Year Federal Award Findings and Questioned Costs

This section includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2016. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2015 that were uncorrected at June 30, 2016.

Finding 2016-017: **Department of Human Services**
Payroll Costs Inappropriately Charged to Foster Care Program
Foster Care – Title IV-E (93.658)
Allowable Costs/Cost Principles
Material Weakness, Material Noncompliance
Questioned Costs: \$795,619 (known)

Recommendation: Department management correct the payroll system coding for identified employees, and reimburse the federal agency for unallowable costs.

Status: Corrective action taken.

Finding 2016-018: **Department of Human Services**
Financial Transaction Processing Errors in Child Welfare System
Foster Care – Title IV-E (93.658)
Allowable Costs/Cost Principles
Material Weakness, Material Noncompliance
Questioned Costs: \$103,130 (known)

Recommendation: Department management review OR-Kids transaction processing and make system modifications as appropriate to ensure proper financial reporting of program expenditures. We also recommend department management review prior year and current year transactions and reimburse the federal agency for grant expenditures claimed inappropriately.

Status: Partial corrective action taken. The agency response is as follows:

Change requests have been written to correct the OR-Kids system issues identified in the finding. These changes will ensure the correct split group is selected when refinancing historic transactions, allow placement corrections in a different age group for a child when they have aged into the next age group, change the eligibility batch to consider eligibility dates that occur after TPR date, and ensure correct PCAs are charged by grant phase so accurate reporting to SFMA of the expenditure of federal funds will occur. A report has been developed to identify adjustments that impacted a state grant rather than the federal grant and is in the validation stage.

Once report is complete and accurate, the agency will use to report accurately and will begin to make appropriate adjustments to all incorrect

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claims. Questioned costs in this finding are estimates only and actual amounts needing correction and repayment will be calculated once report is validated.

The report will be ready to appropriately record reporting for the June 30, 2018 reporting period. The date for system fix is not yet determined.

Finding 2016-019: **Department of Human Services**
Improve Foster Care Provider Eligibility Documentation
Foster Care – Title IV-E (93.658)
Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: \$14,100 (known); \$427,000 (likely)

Recommendation: Department management ensure all required documentation is completed timely, reviewed, and maintained and ensure eligibility is determined appropriately. We also recommend department management reimburse the federal agency for costs paid related to the ineligible providers.

Status: Partial corrective action taken. The agency response is as follows:

Federal Policy, Planning and Resources (FPPR) completed all the following corrections:

- Questioned costs of \$10,700 resulted in actual costs adjusted on July 7, 2017 of \$15,117.54. The final adjustment was reported on Qtr. 4 FFY2017 CB 496.
- Questioned costs of \$1,500 resulted in actual costs adjusted on August 4, 2017 of \$950.58. The final adjustment was reported on Qtr. 4 FFY2017 CB496.
- Questioned costs \$1,900 resulted in actual costs adjusted on July 20, 2017 of \$5,234.89. The final adjustment was report on Qtr. 4 FFY 2017 CB496.

FPPR and the Foster Care Unit have completed the one-page reference guide. The final transmittal will be sent to the field on April 15, 2018.

- Finding 2016-020: **Department of Human Services**
Unsupported Costs Charged to Program
Foster Care – Title IV-E (93.658)
Allowable Costs/Cost Principles
Significant Deficiency
- Recommendation: Department management ensure its methodology for allocating administrative costs to the Title IV-E Foster Care program is documented and adequately supported.
- Status: Corrective action taken.
- Finding 2016-021: **Department of Human Services**
Document Methodology to Review Foster Care Payment Rates
Foster Care – Title IV-E (93.658)
Special Tests and Provisions
Significant Deficiency
- Recommendation: Department management document the methodology used to review maintenance payment rates for continuing appropriateness, including a specific, time-limited schedule for review.
- Status: Corrective action taken.
- Finding 2016-022: **Department of Human Services**
Improve Controls Over Monthly Copay Calculation & Documentation
Child Care and Development Fund Cluster (93.575, 93.596)
Allowable Costs/Cost Principles; Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: \$2,263 (known); \$1,193,491 (likely)(93.596)
- Recommendation: Department management ensure a client’s monthly copay is correctly calculated, hours are correctly calculated, income support is retained, and a client’s special needs rate documentation is maintained. We also recommend department management reimburse the federal agency for unallowable costs.
- Status: Partial corrective action taken. The agency response is as follows:
- Quality Assurance staff have conducted focused reviews on copays and provided technical assistance training to field staff on improving accuracy for copay calculations. Tools were also developed and shared with field staff to improve copay calculations. Articles were published in the "On Target" newsletter for February and March 2017 to address requirements for calculating income and how to determine the correct family size.
- Quality Assurance team provided training to field via Skype during the year. Topics included in the training were how to determine pay

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frequency, calculating income, calculating child care hours and coding the correct number of people on the case. Adjustments to federal expenditures in the amount of \$2,263 have been made for the eight cases that were determined to have errors.

Even though corrective actions have taken place, errors from the current audit period indicate that this finding will be reported as unresolved in the fiscal year ended June 30, 2017 statewide report.

Finding 2016-023: **Department of Education**
Continue to Improve Subrecipient Procedures
Child Care and Development Fund Cluster (93.575, 93.596)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Department management ensure monitoring of subrecipients is conducted to ensure compliance with federal requirements, including a review of each subrecipient's eligibility determination process.

Status: Corrective action taken.

Finding 2016-024: **Department of Human Services/Oregon Health Authority**
Ensure Medicaid Payments are Sufficiently Supported
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles; Eligibility
Material Weakness, Noncompliance
Questioned Costs: \$4,528 (known)(93.778)

Recommendation: Management strengthen controls to verify applications exist upon client eligibility redeterminations, perform eligibility redeterminations timely, identify any other clients that may have been impacted due to the override of system controls, and reimburse the program for unallowable costs.

Status: Partial corrective action taken. The agency response is as follows:

On March 21, 2017, federal funds in the amount of \$1,329 that the department was unable to locate to support the costs charged to Medicaid, were returned. The department's Aging and People with Disabilities Office discussed with managers and staff the policies, appropriate documentation, and retention of applications needed to determine eligibility for our program. These reminders were included in the March 2017 "In the Loop" newsletter article and will be included as agenda items in future quarterly meetings. The department is in the process of returning the federal funds for the client whose determination was not completed timely. We anticipate a completion date of November 30, 2017. In addition, beginning in January 2016 and concluding August 31, 2017, OHA has worked to process redeterminations for the entire

MAGI population and for those individuals who were part of an ACA-related deferred renewal population.

This finding will remain open for SFY 2017.

Finding 2016-025: **Oregon Health Authority**
Document Database Searches and Retain Provider Enrollment Agreements
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Management strengthen controls to ensure database searches are documented and enrollment agreements are maintained. For the specific items noted above, we recommend the authority obtain updated provider agreement forms and document that database checks were completed.

Status: Partial corrective action taken. The agency response is as follows:

The state obtained Provider Enrollment Agreements from those providers and completed the verification training for Provider Enrollment staff in April 2017.

Finding will remain open due to similar finding in subsequent audit period.

Finding 2016-026: **Oregon Health Authority**
Continue to Strengthen ADP Risk Analyses and System Security Review Procedures
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Management finalize its plan for other Medicaid systems and then perform risk analyses and security reviews of those systems in accordance with the plan.

Status: Corrective action taken.

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Finding 2016-027: **Department of Human Services/Oregon Health Authority**
Ensure Review of Wireless Bills
Medicaid Cluster (93.777, 93.778)
Activities Allowed or Unallowed
Significant Deficiency

Recommendation: Department management strengthen its controls over the reviews of monthly employee cell phone invoices.

Status: Corrective action taken.

Finding 2016-028: **Department of Human Services**
Adoption Assistance Paid on Behalf of Ineligible Children
Adoption Assistance – Title IV-E (93.659)
Activities Allowed or Unallowed
Significant Deficiency, Noncompliance
Questioned Costs: \$36,400 (known); \$525,500 (likely)

Recommendation: Department management correct the identified cases in the child welfare system, and reimburse the federal agency for costs paid on behalf of the ineligible children.

Status: Corrective action taken.

Finding 2016-029: **Department of Human Services**
Adoption Assistance Provider Eligibility Documentation Incomplete
Adoption Assistance – Title IV-E (93.659)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: \$520 (known)

Recommendation: Department management ensure all required documentation is completed timely, reviewed, and maintained. We also recommend department management reimburse the federal agency for costs paid related to the ineligible provider.

Status: Corrective action taken.

- Finding 2016-030: **Department of Human Services**
Data Necessary to Estimate Savings in State Expenditures is Incomplete
Adoption Assistance – Title IV-E (93.659)
Level of Effort
Significant Deficiency
- Recommendation: Department management continue to correct known applicable child eligibility data issues in OR-Kids to ensure data used to estimate the savings in state expenditures is complete and accurate.
- Status: Partial corrective action taken. The agency response is as follows:
- Federal Policy, Planning and Resources (FPPR) and the OR-Kids Business unit completed an analysis of why new cases continue to show up with this error. The OR-Kids Business analyst found a bug in OR-Kids that was clearing the boxes that indicated why the child was eligible for Title IV-E Adoptions Assistance. A bug fix was implemented in January 2018. The OR-Kids Business team will run a quarterly report through 2018 to ensure the fix worked and no new cases will have this error. FPPR and OR-Kids Business Analysts will correct the cases identified with the error.
- The anticipated completion date of the corrections is September 30, 2018.
- Finding 2016-031: **Oregon Health Authority**
Strengthen Controls Over Payroll Processes and Cell Phone Review
ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: \$12,436 (known)
- Recommendation: Department management strengthen its controls over the reviews of monthly employee timesheets and cell phone invoices.
- Status: Corrective action taken.
- Finding 2016-032: **Oregon Health Authority**
Strengthen Controls Over Subrecipient Fiscal Monitoring
ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624)
Subrecipient Monitoring
Significant Deficiency, Noncompliance
- Recommendation: Management review expenditures to ensure subawards were used for authorized purposes.

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Status: Partial corrective action taken. The agency response is as follows:

The division has reviewed the LPHA agreements to ensure they accurately identify sub-recipient and contractor relationships for each service element. There have been no new sub-awards added to the agreements; however, we do have fiscal review protocols in place for review on a routine basis. Quarterly program progress and program expenditure reports have been received and reviewed. The division will be conducting a review of ACA expenditures within the three counties that received these funds. These reviews will be done as desk reviews, unless we have the ability to combine the review with the concurrent on-site triennial review already planned.

We plan to have these supplemental reviews completed by July 1, 2018.

Finding 2016-033: **Oregon Health Authority**
Strengthen Controls Over the Contract Process
ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624)
Procurement and Suspension and Debarment
Significant Deficiency

Recommendation: We recommend department management strengthen controls to ensure verification of suspension and debarment is performed for all contracts, evidence is retained, and contracts are complete.

Status: Corrective action taken.

Finding 2016-034: **Department of Human Services/Oregon Health Authority**
Strengthen Controls over Cost Allocation
Immunization Cooperative Agreements (93.268)
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624)
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Significant Deficiency

Recommendation: Management develop a formal tracking mechanism to ensure all changes to the plans are tracked for the inclusion in future updates communicated to the federal oversight agency. We also recommend management strengthen controls to ensure the cost allocation process follows the plans submitted for approval and interim changes, and all costs entering the cost pools are reviewed for allowability.

Status: Corrective action taken.

- Finding 2016-035: **Oregon Housing and Community Services Department**
Strengthen Controls over Cash Management
Low-Income Home Energy Assistance (93.568)
Cash Management
Material Weakness, Noncompliance
Questioned Costs: \$423,877 (known)
- Recommendation: Department management finalize implementation of adequate controls to ensure subrecipient requests for funds are for reimbursements of program expenditures or are paid with advances that are for immediate needs of the program.
- Status: Corrective action taken.
- Finding 2016-036: **Oregon Housing and Community Services Department**
Improve Reviews of Subrecipient Allocated Costs
Low-Income Home Energy Assistance (93.568)
Allowable Costs/Cost Principles; Subrecipient Monitoring
Significant Deficiency, Noncompliance
Questioned Costs: \$501 (known)
- Recommendation: Department management ensure cost allocation plans of its subrecipients are sufficiently reviewed to determine the plans are fully compliant with applicable cost principles.
- Status: Partial corrective action taken. The agency response is as follows:

OHCS will provide procedures and training to the fiscal monitor to ensure inclusion of any depreciation or interest expenses and determine allocability to the program.
- Finding 2016-037: **Oregon Watershed Enhancement Board**
Ensure Compliance with Subaward Reporting Under the
Transparency Act
Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty
Program (11.438)
Reporting
Significant Deficiency, Noncompliance
- Recommendation: Department management work with the Department of Commerce to determine how to correct for past reporting deficiencies and implement controls to ensure all FFATA reports for this program are submitted going forward.
- Status: Corrective action taken.

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Finding 2016-038: **Department of Fish and Wildlife**
Supporting Documentation for Allocated Costs Not Maintained
Pacific Coast Salmon Recovery Fund/Pacific Salmon
Treaty Program (11.438)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: \$4,577 (known); \$24,803 (likely)

Recommendation: Department management maintain documentation that supports the allocation of shared costs to ensure they are in compliance with allowable cost principles.

Status: Partial corrective action taken. The agency response is as follows:

Agency program utilize specific forms to assist accounts payable in allocating costs among one or more funding sources. The forms have now been modified to require the user to provide a methodology, or general explanation, regarding how any allocation is derived. While the updated forms were finalized and adopted as of June 30, 2017, the forms were implemented on July 1, 2017.

Finding 2016-039 **Department of Fish and Wildlife**
Establish Controls Over Financial Reporting
Pacific Coast Salmon Recovery Fund/Pacific Salmon
Treaty Program (11.438)
Reporting
Significant Deficiency

Recommendation: Department management establish controls to ensure they are in compliance with federal regulations.

Status: Partial corrective action taken. The agency response is as follows:

The department agrees with the recommendation and is actively conducting a review of the existing system of internal controls to ensure applicable requires and objective are being met.

Anticipated completion date is December 31, 2017.

Finding 2015-007: **Department of Human Services**
Financial Transaction Processing Errors in OR-Kids
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Activities Allowed or Unallowed
Material Weakness, Material Noncompliance
Questioned Costs: \$107,200

Recommendation: Department management review OR-Kids transaction processing and make system modifications as appropriate to ensure proper financial reporting of program expenditures. We also recommend department management review prior year and current year transactions and reimburse the federal agency for grant expenditures claimed inappropriately.

Status: Partial corrective action taken. The agency response is as follows:

Change requests have been written to correct the OR-Kids system issues identified in the finding. These changes will ensure the correct split group is selected when refinancing historic transactions, allow placement corrections in a different age group for a child when they have aged into the next age group, change the eligibility batch to consider eligibility dates that occur after TPR date, and ensure correct PCAs are charged by grant phase so accurate reporting to SFMA of the expenditure of federal funds will occur. A report has been developed to identify adjustments that impacted a state grant rather than the federal grant and is in the validation stage.

Once report is complete and accurate, the agency will use to report accurately and will begin to make appropriate adjustments to all incorrect claims. Questioned costs in this finding are estimates only and actual amounts needing correction and repayment will be calculated once report is validated.

The report will be ready to appropriately record reporting for the June 30, 2018 reporting period. The date for system fix is not yet determined.

Finding 2015-008: **Department of Human Services**
Child Welfare System Allows Claims Outside Period of Performance
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Period of Performance
Material Weakness, Material Noncompliance
First Year Reported: 2013

Recommendation: Department management implement system changes to OR-Kids to prevent transactions from reimbursing outside the period of performance. We also recommend management make timely adjustments

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to the accounting records to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of performance.

Status: Partial corrective action taken. The agency response is as follows:

Change requests have been written to correct the OR-Kids system issue identified in the finding. These changes will prevent transactions that are outside the period of performance to process against federal grants and inappropriately used in "netting." A report has been developed to identify adjustment transactions that impacted federal claiming that were outside the period of performance and included in "netting" and is in the validation stage.

Once the report is complete and accurate, the agency will use to report to identify that transactions are netted appropriately, and do not include those outside of the period of performance.

The report will be ready to appropriately record reporting for the April 30, 2018 reporting period. Date for system fix is indeterminate.

Finding 2015-009: **Department of Human Services**
Improve Child and Provider Eligibility Documentation
Foster Care - Title IV-E (93.658)
Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: \$4,020
First Year Reported: 2013

Recommendation: Department management ensure all required documentation is completed, reviewed, and maintained and ensure client eligibility is terminated timely; as well as clarify and document whether the home study must be signed by the supervisor for a provider to be certified. We also recommend department management reimburse the federal agency for costs paid related to the ineligible child and provider.

Status: Corrective action taken.

Finding 2015-010: **Department of Human Services**
Unsupported Costs Charged to Program
Foster Care – Title IV-E (93.658)
Activities Allowed or Unallowed; Matching
Material Weakness, Noncompliance
Questioned Costs: \$508
First Year Reported: 2014

Recommendation: Department management ensure its methodology for allocating administrative costs to the Title IV-E Foster Care program is documented and adequately supported, and also ensure that coding is correct and up-to-date in the accounting system. We also recommend department management reimburse the federal agency for unallowable costs.

Status: Corrective action taken.

Finding 2015-011: **Department of Human Services**
Review Doesn't Prevent Incorrect Costs Charged to Program
Foster Care – Title IV-E (93.658)
Activities Allowed or Unallowed
Significant Deficiency, Noncompliance
Questioned Costs: \$28

Recommendation: Department management ensure payments are reviewed and approved properly to ensure appropriate payments to providers. We also recommend department management reimburse the federal agency for unallowable costs.

Status: Partial corrective action taken. The agency response is as follows:

Mileage reimbursement payment for foster parents relies on the branch staff using the correct mileage rate for the dates of service. Federal Policy, Planning and Resources (FPPR) is working with the branches where the errors occurred to address the overpayment and underpayment.

FPPR and the OR-Kids Business unit will be updating the mileage reimbursement service to ensure proper mileage rate is used.

The expected completion date is June 30, 2018. Adjustments will be completed by March 31, 2018.

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Finding 2015-012: **Department of Human Services**
Document Methodology to Review Payment Rates
Foster Care – Title IV-E (93.658)
Special Tests and Provisions
Significant Deficiency

Recommendation: Department management document the methodology used to review maintenance payment rates for continuing appropriateness, including a specific, time-limited schedule for review.

Status: Corrective action taken.

Finding 2015-014: **Department of Human Services**
Data Necessary to Estimate Savings in State Expenditures is Incomplete
Adoption Assistance – Title IV-E (93.659)
Level of Effort
Significant Deficiency
First Year Reported: 2014

Recommendation: Department management continue to correct known applicable child eligibility data issues in OR-Kids to ensure data used to estimate the savings in state expenditures is complete and accurate.

Status: Partial corrective action taken. The agency response is as follows:

Federal Policy, Planning and Resources (FPPR) and the OR-Kids Business unit completed an analysis of why new cases continue to show up with this error. The OR-Kids Business analyst found a bug in OR-Kids that was clearing the boxes that indicated why the child was eligible for Title IV-E Adoptions Assistance. A bug fix was implemented in January 2018. The OR-Kids Business team will run a quarterly report through 2018 to ensure the fix worked and no new cases will have this error. FPPR and OR-Kids Business Analysts will correct the cases identified with the error.

The anticipated completion date of the corrections is September 30, 2018.

Finding 2015-016: **Department of Human Services/Oregon Health Authority**
Improve Client Eligibility Documentation
Medicaid Cluster (93.777, 93.778)
Activities Allowed or Unallowed; Eligibility
Material Weakness; Noncompliance
Questioned Costs: \$6,051
First Year Reported: 2013

Recommendation: Department and authority management strengthen controls to ensure sufficient documentation is maintained to demonstrate compliance with federal requirements and the client liability is calculated accurately.

Status: Partial corrective action taken. The agency response is as follows:

Aging and People with Disabilities (APD) has obtained missing applications from all clients except those that were determined to be deceased. For those individuals, APD followed up with the Estate Recovery Unit to ensure that they were aware of the clients' passing and were filing an estate claim if appropriate. APD has continued to remind managers and staff of the importance of maintaining complete files through meetings and "In the Loop" newsletter articles. All corrective actions are complete.

For the clients who experienced eligibility-coding errors, the state is in the process of returning the federal funds.

This finding will remain open due to errors identified in the fiscal year 2017 audit.

Finding 2015-018: **Department of Human Services/Oregon Health Authority**
Continue to Strengthen ADP Risk Analyses and System Security Review Procedures
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency; Noncompliance
First Year Reported: 2013

Recommendation: Management develop a security plan that addresses all federally required components, develop and implement a formalized risk analysis program, and ensure system security reviews are conducted timely for all applicable systems involved in the administration of the Medicaid program.

Status: Corrective action taken.

Finding 2015-020: **Oregon Health Authority**
Ensure Required Provider Screening is Documented Prior to Enrollment
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency
First Year Reported: 2013

Recommendation: Management ensure staff are documenting that all databases were verified for new and revalidated providers.

Status: Partial corrective action taken. The agency response is as follows:

The authority submitted Change Request (CR) #20606 to create additional labels and control of the labels on the Provider Verification

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panel. The CR has been given a “Notice to Proceed” which moves it to be reviewed by an executive panel. If approved, it will move to design and implementation in approximately six to 12 months. The change will result in the authorities’ ability to make current and future changes to as needed. In April 2017, the authority held a validation training for enrollment staff and will conduct a review of enrolled providers to verify the completion of the required database checks.

Finding will remain open due to similar finding in subsequent audit period.

Finding 2015-021: **Department of Human Services**
Improve Controls over Income Calculations for Eligibility
Child Care and Development Fund Cluster (93.575, 93.596)
Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: \$1,571 (known); \$1,033,640 (likely)
First Year Reported: 2014

Recommendation: Department management ensure a client’s monthly copay is correctly calculated and a client’s application, income and special needs rate documentation is maintained. Additionally, department management should develop a process to identify when the copay is not being met when multiple providers are used.

Status: Partial corrective action taken. The agency response is as follows:

A transmittal was issued June 15, 2016 to inform field staff of the error reasons resulting in incorrect copay calculations and policy reminders/tips to prevent these errors. The transmittal also included additional tips to increase accuracy in the ERDC program.

Child care policy staff continue to work with the Direct Pay Unit staff to develop a process to address situations when a copay is not being met and there are multiple providers involved. Quality Assurance staff have conducted focused reviews on copays and provided technical assistance training to field staff on improving accuracy for copay calculations. Tools were also developed and shared with field staff to improve copay calculations.

Accuracy lab trainings on “calculating child care hours” for ERDC was offered statewide via Skype to all field staff on March 28, 29, and 30 of 2017. An “Accuracy in Action” publication was issued to the field in April 2017 to address error trends in the ERDC program. Adjustments have been made in regards to questioned cost of \$1,571.

Although corrective actions have taken place, this finding will remain open due to errors identified in the fiscal year 2017 audit.

Finding 2015-022: **Department of Education**
Improve Subrecipient Procedures
Child Care and Development Fund Cluster (93.575, 93.596)
Subrecipient Monitoring
Material Weakness, Material Noncompliance

Recommendation: Department management develop and document a process to assess each subrecipient's risk of noncompliance and ensure monitoring procedures periodically include a review of a subrecipient's eligibility determination process including income.

Status: Corrective action taken.

Finding 2015-024: **Department of Human Services**
Improve Compliance with Work Verification Plan
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Significant Deficiency, Noncompliance
First Year Reported: 2012

Recommendation: Department management strengthen controls to ensure adherence to department policy and procedure regarding documentation of participation and projection of hours of participation, and to ensure data entered into the automated data processing system is accurate and complete.

Status: Partial corrective action taken. The agency response is as follows:

TANF now ensures that the Work Verification Point email is sent monthly. The email includes information on income calculations, documents needed, and JOBS activities clarification. The TANF Program is also working with the monthly newsletter for field staff (On-Target) to publish reminders.

The JOBS Activity Guidelines (JAG) is being revised to provide a more user friendly and condensed version of the Work Verification Plan.

Finding 2015-025: **Department of Human Services**
Improve Accuracy of Performance Data Reports
Temporary Assistance for Needy Families (93.558)
Reporting
Significant Deficiency, Noncompliance
First Year Reported: 2010

Recommendation: Department management ensure the report accurately reflects the activity of the reporting period.

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Status: Partial corrective action taken. The agency response is as follows:

Temporary Assistance for Needy Families (TANF) analyst and programmers are working closely on reviewing and rewriting the business requirements for the Federal Data Group Report. Once requirements are reworked, programmers will program and testing will begin.

Finding 2015-026: **Department of Human Services**
Questionable Interpretation of Federal Five-Year Time Limit
Temporary Assistance for Needy Families (93.558)
Eligibility
Noncompliance

Recommendation: The department comply with the directive from DHHS and work with DHHS to resolve the different interpretations of the federal requirements for the TANF program.

Status: The department has now completed the consultation process with Oregon's recognized tribes and Administration for Children and Families, which occurred in January 1, 2017. Tribes were notified October 7, 2016 about the changes that will be implemented in November of 2016. Staff received training in November and December of 2016 and the full implementation of all changes was effective January 1, 2017. The department is still awaiting further guidance from Administration for Children and Families (ACF).

Once the department receives the clarification or guidance from ACF, then the department can implement the changes needed to ensure full compliance.

Finding 2015-027: **Department of Human Services/Oregon Health Authority**
Unallowable Costs
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Child Care and Development Fund Cluster (93.575, 93.596)
Temporary Assistance for Needy Families (93.558)
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: \$15,000 (known); \$130,000 (likely)

Recommendation: Management ensure staff receive training regarding the proper coding for expenditures and allowability of expenditures to be paid with federal funds. Additionally, we recommend that management ensure

documentation is maintained to support expenditures paid. Further, for the specific items identified, we recommend management correct the coding errors and ensure the expenditures are billed to the appropriate program and/or source of funds.

Status: Corrective action taken.

Finding 2015-028: **Department of Human Services/Oregon Health Authority**
Cost Allocation Plans Not Updated Timely
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Child Care and Development Fund Cluster (93.575, 93.596)
Temporary Assistance for Needy Families (93.558)
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Significant Deficiency
First Year Reported: 2014

Recommendation: Management update the cost allocation plans for the department and authority to reflect current practices and ensure future changes are communicated timely.

Status: Corrective action taken.

Finding 2015-030: **Oregon Housing and Community Services Department**
Strengthen Controls Over Cash Management
Low-Income Home Energy Assistance (93.568)
Cash Management
Material Weakness, Noncompliance

Recommendation: Department management complete and implement adequate controls to ensure subrecipient requests for funds are in compliance with federal cash management requirements.

Status: Corrective action taken.

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Finding 2015-031: **Department of Human Services**
Improve Controls Over EBT Card Security
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management implement a process to verify that branch offices implemented the training and follow the established procedures for securing EBT cards.

Status: Partial corrective action taken. The agency response is as follows:

Aging and People with Disabilities (APD) has monitored the Financial Desk Training course and determined that all APD and Area Agencies on Aging (AAA) branches have completed the training. Self Sufficiency has taken corrective action and completed branch office monitoring at the end of July 2016.

Testing from the current follow-up audit showed that these findings will be reported as unresolved in the fiscal year ended June 30, 2017 statewide report.

Finding 2015-033: **Department of Education**
Ensure Subrecipient Monitoring Includes Federal Fiscal Requirements
Special Education Cluster (IDEA)(84.027, 84.173)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Department management implement fiscal monitoring processes that ensure subrecipients have accounting and internal control systems adequate to administer federal fiscal requirements.

Status: Partial corrective action taken. The agency response is as follows:

ODE made revisions to two fiscal monitoring tools - Fiscal IDEA Risk Assessment and IDEA Part B Fiscal Monitoring Tool-based on feedback from the Office of Special Education Programs (OSEP) in December 2016 and February 2017. The tools were finalized and shared with OSEP on May 5, 2017. ODE will begin implementation with school districts beginning in January 2018 of the 2017-18 school year.

Finding 2015-035: **Department of Education**
Improve Accuracy of Maintenance of Effort Calculations
Title 1 Grants to Local Educational Agencies (84.010)
Maintenance of Effort
Significant Deficiency, Noncompliance
Questioned Costs: \$4,196

Recommendation: Department management:

- recover the excess allocated Title 1 funds;
- ensure MOE calculations and award reductions are independently reviewed; and
- ensure financial expenditures used for the MOE calculations include only those allowed by federal regulations.

Status: Partial corrective action taken. The agency response is as follows:

ODE recovered \$4,196 from the school district identified as not meeting Title 1 Maintenance of Effort (MOE) in September 2016. ODE updated its processes to improve controls over the accuracy of MOE calculations which included reviewing methodology used to calculate MOE, and implementing an independent review of the MOE calculations and final allocations.

Finding 2015-036: **Oregon University System**
Report/Special Tests
Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Reporting, Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Oregon Tech implement controls to ensure data is pulled, reviewed, and submitted within the required timeframe.

Status: As of July 1, 2015 Western Oregon University, Southern Oregon University, Eastern Oregon University, and Oregon Institute of Technology each became an independent public body legally separate from the State. The State of Oregon is no longer responsible for follow-up related to the University findings, as each University is responsible for their own Single Audit.

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Finding 2015-037: **Oregon University System**
Special Tests: Enrollment Reporting
Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Universities should continue to work with the NSC to ensure errors are resolved in a timely manner. In addition, Eastern Oregon, Western Oregon, and Oregon Tech should enhance controls to ensure student status changes are uploaded to the NSLDS on an accurate and timely basis.

Status: As of July 1, 2015 Western Oregon University, Southern Oregon University, Eastern Oregon University, and Oregon Institute of Technology each became an independent public body legally separate from the State. The State of Oregon is no longer responsible for follow-up related to the University findings, as each University is responsible for their own Single Audit.

Finding 2015-038: **Oregon University System**
Special Tests: Verification
Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Special Tests and Provisions
Significant Deficiency

Recommendation: The Universities implement controls over the process of obtaining student verification data and uploading to CPS.

Status: As of July 1, 2015 Western Oregon University, Southern Oregon University, Eastern Oregon University, and Oregon Institute of Technology each became an independent public body legally separate from the State. The State of Oregon is no longer responsible for follow-up related to the University findings, as each University is responsible for their own Single Audit.

Finding 2015-039: **Oregon University System**
Special Tests: Borrower Data Transmission and Reconciliation
Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Special Tests and Provisions
Significant Deficiency

Recommendation: Universities implement a review over the reconciliation to ensure accuracy and compliance and to prevent errors in the reconciliations.

Status: As of July 1, 2015 Western Oregon University, Southern Oregon University, Eastern Oregon University, and Oregon Institute of Technology each became an independent public body legally separate from the State. The State of Oregon is no longer responsible for follow-up related to the University findings, as each University is responsible for their own Single Audit.

Finding 2015-040: **Oregon Employment Department**
Ensure All Required Claimants Register to Work
Unemployment Insurance (17.225)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: \$8,347

Recommendation: The department continue efforts to improve processes and implement sustainable controls to ensure TLO and out of state claimants register to work in compliance with program requirements.

Status: Partial corrective action taken. The agency response is as follows:

Temporarily Laid Off (TLO): In our original response to the audit findings, the Employment Department stated that we would accomplish the following.

1. Run a pilot to reduce improper payment to Unemployment Insurance (UI) claimants who do not meet the requirement to be considered TLO by creating new selection criteria to identify those claimants. We have made the additional refinements to the Business Intelligence (BI) tool that we use to identify potential TLO issues. We consider this complete.
2. Reassign staff to work the claims that have been identified. Staff have been reassigned based on the results from our BI inquiries. We consider this complete.
3. Update TLO messaging to claimants. Work on this has been complete and new messaging and information is provided to claimants who check the TLO box when filing a claim.
4. Review every three months in the first year to evaluate and refine the criteria. We review every three months, and will continue to do so, to evaluate and refine the criteria. This is now standard practice.

Out of State: Since our last update in August 2016 we have approved a project to automate the identification of out-of-state claimants. The automated process would flag the claim, generate a letter directing the claimant to register in the state of their residence, and require them to provide documentation of their registration. As stated in our initial response, this will take internal Information Technology (IT) resources

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and based on other higher priority IT projects, the completion date for this project is December 1, 2017.

Anticipated Completion Date: December 1, 2017

Summaries of Significant Audit Reports Issued by the Oregon Secretary of State Audits Division

REPORT TITLE AND NUMBER: **Oregon Health Authority Should Improve Efforts to Detect and Prevent Improper Medicaid Payments**

REPORT DATE: November 2017

RESULTS IN BRIEF: Oregon Health Authority (OHA) recovery efforts are appropriate and reasonable, but the agency should strengthen efforts to detect and prevent improper payments in Oregon's \$9.3 billion per year Medicaid program. Prevention of improper payments is more cost-effective than attempting to recover improper payment. We also found that delays in processing eligibility for thousands of Oregon's Medicaid recipients resulted in millions of dollars of avoidable Medicaid expenditures, a critical issue the agency failed to disclose until raised in a May 2017 Auditor Alert.

Within the context that Medicaid is a very complex and challenging program to administer, we found:

1. OHA has gaps in procedures for preventing certain improper payments. Insufficient management of the agency's processes for identifying and resolving payment and eligibility issues, prioritization of staffing resources, and efforts to address technology issues put taxpayer dollars at risk.
2. OHA lacks well-defined, consistent, and agency-wide processes to detect certain improper payments, especially related to coordinated care. We identified approximately 31,300 questionable payments based on our review of 15 months of data. OHA needs to continue researching these claims to determine how many were improper; OHA reported that only a small percentage were improper based on preliminary research of 2,700 claims.
3. OHA recovery efforts appear appropriate and reasonable, but may be underutilized due to OHA's limited procedures for detecting improper payments.
4. OHA reported completing the action plan to determine eligibility for the remaining backlog of 115,200 Medicaid recipients. Approximately 47,600 (41%) were deemed ineligible as a result, although this figure may decrease slightly through the end of November. Failure to address this issue in a timely fashion resulted in approximately \$88 million in avoidable expenditures.

Recommendations

Drawing from national leading practices, our report includes eight recommendations to OHA focused on strengthening efforts to detect and prevent improper payments. Oregon Health Authority agrees with our recommendations.

ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division is authorized to audit all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

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The courtesies and cooperation extended by officials and employees of the State of Oregon during the course of this audit were commendable and sincerely appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government

