

Fiscal Year 2023

Statewide Single Audit Report

April 2024

Report 2024-14



Oregon Secretary of State
Audits Division



Kip Memmott
Division Director

The Honorable Tina Kotek
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, 2023, and is required for the State to continue receiving federal financial assistance, which, as shown in this report, totals approximately \$20.4 billion.

As required by the Single Audit Act, we issued a report dated January 19, 2024, on the State of Oregon's financial statements. That report was included in the State of Oregon's *Annual Comprehensive Financial Report* for the year ended June 30, 2023.

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

- *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.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with provisions of laws, regulations, contracts and award agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.
- *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.* 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, 2023.
- *Schedule of Findings and Questioned Costs.* This schedule lists 14 current year audit findings regarding internal control related to financial reporting. It also lists 31 current year audit findings regarding compliance with the requirements of 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, 2023. 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.

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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, 2023 excluding discretely presented component units. The notes, which accompany the schedule, are considered an integral part of the schedule.
- *Schedule of Prior Year Findings.* This schedule lists the current status of prior year findings that remained uncorrected at the end of fiscal year 2022.

We concluded that the state's financial statements are fairly presented in conformance with generally accepted accounting principles, resulting in an unmodified opinion. We issued a disclaimer of opinion on the Emergency Solutions Grants Program. We issued qualified opinions on the Low-Income Home Energy Assistance Program (LIHEAP), Block Grants for Community Mental Health Services, Block Grants for Prevention and Treatment of Substance Abuse, Medicaid Cluster, Temporary Assistance for Needy Families (TANF), and Rehabilitation Services Vocational Rehabilitation Grants to States. We issued unmodified opinions on all other major federal programs.

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.

Office of the Secretary of State, Audits Division

State of Oregon

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Kip Memmott
Division Director

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 Tina Kotek
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, 2023, 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 January 19, 2024.

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 auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those 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.

Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: SAIF Corporation, University of Oregon, Oregon State University, Portland State University, Western Oregon University, and Oregon Health and Science University, 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 and compliance and other matters that are reported on separately by those auditors.

Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were

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not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2023-001, 2023-002, 2023-005, and 2023-006 to be material weaknesses.

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. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-004, and 2023-007 through 2023-014 to be significant deficiencies.

Report on 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the State of Oregon's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results 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



Kip Memmott
Division Director

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 Tina Kotek
Governor of Oregon

Report on Compliance for Each Major Federal Program

Qualified, Unmodified, and Disclaimer of Opinions

We have audited the State of Oregon's (State) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2023; and we were engaged to audit the State's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Assistance Listing Number (ALN) 14.231 Emergency Solutions Grant Program for the year ended June 30, 2023. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Disclaimer of Opinion on Emergency Solutions Grant Program (ALN 14.231)

We do not express an opinion on the State's compliance with the compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Emergency Solutions Grant Program. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Emergency Solutions Grant Program section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Emergency Solutions Grant Program.

Qualified Opinions on the Low-Income Home Energy Assistance (ALN 93.568), Block Grants for Community Mental Health Services (ALN 93.958), Block Grants for Prevention and Treatment of Substance Abuse (ALN 93.959), Medicaid Cluster (ALN 93.777/93.778), Temporary Assistance for Needy Families (ALN 93.558), and Rehabilitation Services Vocational Rehabilitation Grants to States (ALN 84.126) Programs

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Low-Income Home Energy Assistance, Block Grants for Community Mental Health Services, Block Grants for Prevention and Treatment of

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Substance Abuse, Medicaid Cluster, Temporary Assistance for Needy Families, and Rehabilitation Services Vocational Rehabilitation Grants to States programs for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Disclaimer of Opinion on the Emergency Solutions Grant Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain audit evidence supporting the State's compliance with the compliance requirements in the table below applicable to the Emergency Solutions Grant Program. As a result of these matters, we were unable to determine whether the State complied with the requirements applicable to the Emergency Solutions Grant Program.

Assistance			
Listing #	Program Name	Finding #	Compliance Requirement
14.231	Emergency Solutions Grant Program	2023-015	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; Special Tests and Provisions
		2023-016	Procurement and Suspension and Debarment

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the State's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions on the Major Federal Programs Listed Below

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

Assistance Listing #	Program Name	Finding #	Compliance Requirement
93.568	Low Income Home Energy Assistance Program	2023-017	Cash Management
		2023-018	Matching, Level of Effort, Earmarking; Period of Performance
		2023-019	Reporting
93.958	Block Grants for Community Mental Health Services	2023-020	Subrecipient Monitoring
93.959	Block Grants for Prevention and Treatment of Substance Abuse	2023-020	Subrecipient Monitoring
93.777, 93.778	Medicaid Cluster	2023-022	Special Tests and Provisions
93.558	Temporary Assistance for Needy Families	2023-025	Matching, Level of Effort, Earmarking; Reporting; Special Tests and Provisions
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	2023-028	Reporting

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The State’s basic financial statements include the operations of the component units in the table below, which expended \$1.7 billion in federal awards which is not included in the State’s schedule of expenditures of federal awards during the year ended June 30, 2023. Our compliance audit does not include the operations of the below component units because they engaged other auditors to perform an audit of compliance.

Component Unit	Federal Expenditures
Oregon Health & Science University	\$ 552,122,254
Oregon State University	513,237,771
University of Oregon	320,530,006
Portland State University	174,379,229
Western Oregon University	37,583,876
Oregon Institute of Technology	24,452,785
Southern Oregon University	23,661,452
Eastern Oregon University	22,401,182
Total	\$1,668,368,555

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Auditor's Responsibilities for the Audit of Compliance for the Emergency Solutions Grant Program

Our responsibility is to conduct an audit of compliance in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Emergency Solutions Grant Program section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of Compliance for all other Major Federal Programs

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance on the State's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 are described in the accompanying schedule of findings and questioned costs as items 2023-023, 2023-024, 2023-026, 2023-027, and 2023-029 through 2023-045. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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 did identify 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 2023-015, 2023-016, 2023-020, 2023-023, 2023-025, 2023-028, 2023-029, 2023-033, and 2023-040 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 2023-017 through 2023-019, 2023-021, 2023-022, 2023-024, 2023-026, 2023-027, 2023-030, 2023-031, 2023-034 through 2023-039, and 2023-041 through 2023-044 to be significant deficiencies.

Our audit of the State's major programs (excluding the Emergency Solutions Grant program) was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other 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 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated January 19, 2024, 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

April 11, 2024, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is January 19, 2024

State of Oregon
Schedule of Findings and Questioned Costs
For the Year ended June 30, 2023

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 Disclaimer:
Emergency Solutions Grant Program

Qualified:
Low-Income Home Energy Assistance Program
Block Grants for Community Mental Health Services
Block Grants for Prevention and Treatment of Substance Abuse
Medicaid Cluster
Temporary Assistance to Needy Families
Rehabilitation Services Vocational Rehabilitation Grants to States

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

Assistance

Listing #	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.231	Emergency Solutions Grant Program
17.225	Unemployment Insurance
17.245	Trade Adjustment Assistance
21.023	Emergency Rental Assistance
21.026	Homeowner Assistance Fund
21.027	State and Local Fiscal Recovery Funds
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
84.425	Education Stabilization Fund
93.423	1332 State Innovation Waivers
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance Program
93.767	Children's Health Insurance Program
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance
Cluster	Child Care and Development Fund Cluster
Cluster	Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$30,654,293

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

Management Responses are submitted by agency management and are not subject to auditing procedures.

2023-001 Oregon Department of Human Services/Oregon Health Authority Management should review effect of accounting entries on year-end account balances

Material Weakness

Criteria: GASB Statement 62, paragraphs 58-61

During our audits of the Oregon Department of Human Services (ODHS) and Oregon Health Authority (OHA) we identified transactions recorded to fiscal year 2023 related to adjustments to prior year transactions. The accounting treatment adversely affected the current year's financial statements as described below.

In administering various programs, ODHS and OHA record periodic financing and refinancing transactions in the accounting system to ensure adequate funds are available to operate the programs. For most programs, there are established revenue streams to provide adequate resources to operate the programs. However, the timing of those revenues is not always consistent with the needs of the programs. In those instances, expenditures will be recognized in the state's General fund until the program revenues are received, and the expenditures will be reclassified back to the appropriate fund. Typically, these transactions are short-term and can be resolved within a few months, often times within the same fiscal year.

As part of the federal government's response to the COVID pandemic, states were awarded grants from the Federal Emergency Management Agency (FEMA). Both ODHS and OHA have generated expenditures against the FEMA grants but did not receive reimbursement for over a year. During fiscal year 2023, ODHS received approximately \$92 million in reimbursements from FEMA and OHA received approximately \$4 million. The departments appropriately went through the process of recording the transactions related to the prior years. However, in preparing the accounting entries, the departments inappropriately overstated the expenditure accounts in the current fiscal year.

Additionally, during fiscal year 2022, the departments implemented GASB statement 87, *Leases*. As reported in prior year finding 2022-002 from the Fiscal Year 2022 Statewide Single Audit [report 2023-21], the department did not correctly make all the accounting entries to properly implement the new standard. In fiscal year 2023, ODHS attempted to correct some of the errors in the accounting system from the prior year. In doing so, the entries incorrectly recognized revenues and expenditures in the current year that should not have been reported, overstating the accounts by \$266 million in the General Fund, \$186 million in the Health and Social Services Fund, and \$452 million in the Government-Wide Reporting Fund, respectively.

The departments' procedures to correct prior year transactions are appropriate for the prior year corrections but did not properly consider the broader financial impacts on the current year account balances.

We recommend department management update accounting and review procedures to ensure entries prepared to address issues originating in prior fiscal years do not incorrectly impact the current year financial statements.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The Office of Financial Services (OFS) is reviewing documentation from prior audits and direction from the Department of Administrative Services (DAS), Statewide Accounting and Reporting, to identify the most effective and efficient process going forward for refinancing prior year activity in the current fiscal year. As mentioned in the audit, the complexity of deferred revenue reimbursement, across multiple fiscal years, from FEMA during the pandemic increased the complexity of these accounting transactions. The office will write up a new process and train relevant staff on the new methodology.

Anticipated Completion Date: June 30, 2024

2023-002 Department of Administrative Services**Address Workday configuration issues to ensure employees are accurately paid and ensure controls over payroll processing are properly designed, implemented, identified, and documented**
Material Weakness

The Department of Administrative Services (department) implemented Workday Payroll and Time Tracking (PTT) effective December 1, 2022 following a multi-year effort that formally kicked off the Execution phase in January 2021. Workday is a third-party software vendor that offers a variety of enterprise management products, including human resources, payroll, and time tracking solutions, on a subscription basis. Workday provides the software infrastructure while the department is responsible for the development and implementation of the configuration specific to the state's unique payroll requirements. PTT replaced the legacy Oregon State Payroll Application (OSPA) and the ePayroll time tracking application used by most state agencies. Previously, the department implemented Workday's Human Capital Management (HCM) in 2019 which replaced the legacy Position and Personnel Database (PPDB) human resources information system. Other Workday products subscribed to by the department include Learning and Recruiting. The intended goal of the replacement of the legacy systems was to modernize the state's human resources, payroll, and time tracking functions and increase productivity and reduce errors through the reduction of manual processes.

The Workday PTT go-live date coincided with the December 2022 pay period with the first paychecks issued January 3, 2023. Errors in employee pay were noted immediately following the processing of payroll for the first pay period following go-live. Of the state's approximately 44 thousand employees, the department identified 4,500 employees who were either under or overpaid for the December 2022 pay period. This resulted in a net overpayment to impacted employees of more than \$3.5 million. The department's Workday PTT project team worked to identify and remedy the underlying configuration issues that resulted in the erroneous pay. Although the number of employees and amounts paid incorrectly reduced with each subsequent pay period, additional issues causing incorrect pay continued to be identified beyond the initial go-live month. In the following January and February 2023 pay periods, the department identified 2,767 and 2,151 employees who were incorrectly paid, respectively. The number of employee paychecks impacted, and the variety of underlying causes identified by the department, indicate testing of the configuration was either not sufficiently scoped or not properly conducted. Properly scoped and conducted testing of the configuration should have allowed the department to identify and correct the erroneous scenarios prior to go-live.

After the errors were identified, the department began efforts to stabilize Workday Payroll operations with a target completion date of December 2023. Stabilization efforts included conducting emergency procurements with third party vendors IBM and Gartner and the formation of an emergency change

advisory board (ECAB). IBM, which served as the department's Workday PTT implementation vendor, was contracted to provide guidance on the stabilization of payroll operations, intake, tracking and resolution of issues, change management communications, and the continuous improvement of ongoing payroll operations. IBM's implementation contract also provided for a period of "Hyper-Care" support to assist in the post-implementation transition and to help address issues. Gartner, an independent quality management services vendor, was contracted to provide assessment services in support of the post-implementation stabilization efforts. Ongoing stabilization efforts include implementation of recommendations from IBM's and Gartner's assessments. Additionally, in March 2023 the department formed the ECAB consisting of the department's Director, Deputy Director, CIO, and Deputy CIO. The intent of the ECAB was to triage the issues identified following go-live. Prior to the establishment of the ECAB, issues were tracked via an email inbox and Workday's Case Management function. As part of the ECAB's efforts, changes to Workday were temporarily paused to allow for the prioritization of issues and implementation of additional structure to the change process.

As part of our audit procedures, we requested a list of the identified issues including the identification date, resolution date, number of employees impacted, and total dollar amount of the under or over payment associated with each issue. This information was not readily available to provide to auditors indicating a lack of organization expected of a project of this magnitude. Although the requested information was eventually provided, due to staffing constraints the department was unable to fulfill the request within a timeframe that would allow us to perform audit procedures over the provided information within our prescribed audit timeline. As such, we were unable to verify the number and types of issues identified, the total number of employees impacted, and the dollar impact of these errors stated by the department.

Although the department is responsible for the central operation and maintenance of the payroll system, state agency management and employees play a key role in ensuring the accuracy of employee pay. Agency responsibilities include ensuring employee time and compensation details are accurately entered into the system. Historically, agency payroll partners were also able to monitor payroll processing results to identify and correct errors in employee pay. However, during the months following go-live, some agency staff felt they had insufficient information and support to fulfill their responsibilities in addition to addressing the numerous errors identified in employees' pay. Compounding these issues, the switch to the new system also eliminated reports agencies were accustomed to reviewing to aid in error identification. Leading up to and following go-live, the department hosted various daily and weekly meetings for agency staff. However, agency staff reported central communication from the department regarding the issues and subsequent resolutions and corrections was unclear leaving agencies unsure what actions were being taken centrally by the department. Additionally, agencies were not given clear guidance on the controls they should have in place to aid in the identification of payroll errors. As a result, agencies began attempting to develop their own controls in the absence of cohesive centralized guidance.

Auditors noted additional concerns surrounding the lack of availability of certain key foundational project documentation. Large information system projects are required to progress through the DAS EIS Stage Gate approvals process. The purpose of this process is to help ensure projects align with enterprise information technology strategies, are justified by sound business cases, and are adequately planned. Auditors requested documentation the department would have been required to submit during this process to demonstrate due diligence in planning efforts. Auditors were provided an incomplete set of documentation supporting the project's implementation and documentation describing the system design and configuration was outdated, only covering HCM and not updated to reflect the implementation of PTT. The lack of readily available, up-to-date, and complete system documentation demonstrates a weak control environment that would reasonably be expected to have contributed to the issues identified

following go-live. Given the lack of availability of key system documentation and the department's inability to provide timely responses to audit requests, we were unable to complete our audit procedures intended to identify and test internal controls over the input, processing, output, and change management processes.

We recommend the department:

- Ensure controls over payroll processing and configuration management are properly designed, implemented, identified, and documented.
- Complete stabilization efforts, including eliminating the errors in employee pay caused by configuration issues.
- Develop and communicate guidance to agency partners regarding expectations of agency level controls.
- Update all system documentation to reflect the Workday modules subscribed to by the department.

MANAGEMENT RESPONSE:

We agree with this recommendation.

As noted in the letter, the first several pay cycles in the new system contained errors in employee pay due to configuration issues. DAS worked with the employees and agency payroll offices to correct underpayments and to recoup overpayments. Operational stabilization efforts remain underway, and significant progress has been made to track and resolve the issue. IBM and Gartner recommendations are being implemented, and additional structure and rigor now exists around configuration changes and testing.

We are working to resolve all the recommendations outlined above by December 31, 2024. The individual bullet items may be resolved more quickly.

Anticipated Completion Date: December 31, 2024

2023-003 Department of Administrative Services

Ongoing monitoring of Workday user access is not sufficiently performed to ensure access within the system is appropriately aligned with user job duties
Significant Deficiency

The Department of Administrative Services (department) is responsible for the operation and maintenance of Workday, the state's human resources and payroll application. Workday is a third-party software vendor that offers a variety of enterprise management products on a subscription basis. The department first implemented the Human Capital Management Workday module in 2019. A multi-year project followed to replace the state's legacy Oregon State Payroll Application (OSPA) which resulted in the implementation of the Workday Payroll and Time Tracking modules that went live on December 1, 2022.

Security over Workday user access includes user authentication and authorization controls. Each user has unique log-in credentials with roles and security groups determining the user's capabilities within the system. A user's roles and security groups can be assigned or inherited based on their position or requested separately. A user can add roles to their profile through the Security Roles Request business process which requires approvals from the direct manager and appropriate agency or central security partner.

Most Workday users are employees. Employees are only assigned the Employee as Self role which limits update access to their own personal information such as home address, bank account details, and tax withholdings. Human Resources and payroll employees have roles that provide expanded update and view access to allow for the completion of their job duties. Ongoing monitoring of this expanded access is an essential element of the control structure to help ensure users' capabilities in the system remain appropriate for their current job duties.

The department's quarterly review of users with expanded access to information classification levels of 3 or 4 is intended to help meet this control objective. Level 3 information includes personal information such as Social Security numbers while Level 4 information includes information that, if disclosed, could result in major damage or injury to individuals or the agencies. Certain HR and Payroll roles are considered level 3 and 4 such as the Agency Payroll Partner and HR Partner roles. On a quarterly basis, the department runs reports within Workday to identify any users with roles that provide access to Level 3 or 4 information that do not have a signed Privileged User Access Request and Confidentiality Agreement on file. Agreements are then distributed to the users for signature acknowledging the responsibilities of their expanded access. However, the department stated they were not able to perform the quarterly review for the first seven months of state fiscal year 2023 due to staffing resource constraints.

Auditors also noted the control is not designed to identify users with access that does not align with their job duties. Although roles are tied to the position, as opposed to the individual user, there is a risk that requested roles may not be appropriate for a given user. Without ongoing consistently performed and sufficiently detailed monitoring of user access, Workday is susceptible to inappropriate use within the system.

We recommend department management implement controls to ensure access to Workday roles responsible for compensation and payroll functions are periodically monitored for ongoing appropriateness and alignment with assigned job duties.

MANAGEMENT RESPONSE:

We agree with this recommendation.

We will make sure that future reviews of "high levels of access" are reviewed timely. We have resumed the quarterly reviews and are now on schedule. We have also modified staffing to ensure there are two individuals trained to conduct the scheduled reviews, therefore if we experience another staffing issue this position now has a backup to conduct the required reviews. We also recently enhanced the security role request process for our customers which increased the connection of the request, acknowledgement form, and approval process to assignment of the role in Workday for most of the roles that exist in Workday.

Anticipated Completion Date: July 1, 2023

2023-004 Oregon Business Development Department

Ensure federal expenditures are appropriately classified as direct or pass-through on the SEFA
Significant deficiency

The U.S. Treasury Final Rule issued in November 2022 clarified the definition of a beneficiary with respect to awards of Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The rule outlines that individuals, households, communities, small businesses, nonprofits, and impacted industries are all potential beneficiaries of projects carried out with SLFRF funds. Payments to beneficiaries are direct expenditures of the program.

In state fiscal year 2023, the department distributed \$18.7 million of SLFRF funds for the purpose of providing grants to music, cultural, and community venues and organizations negatively impacted by the COVID-19 pandemic. A total of \$16.4 million in beneficiary payments were incorrectly classified on the agency's Schedule of Expenditures of Federal Awards as pass-through expenditures rather than direct expenditures.

The department experienced turnover in the accounting department for the last few years. Staff processing payments were not aware that the organizations paid were beneficiaries and, as a result, the transactions were miscoded.

Misclassifying the payments resulted in underreporting direct expenditures on the SEFA by \$16.4 million. The errors were subsequently corrected.

We recommend program and fiscal staff responsible for coding and reviewing accounting transactions receive additional training in direct and passthrough expenditures coding and beneficiary determinations.

MANAGEMENT RESPONSE:

We agree with this recommendation.

Business Oregon has gone through significant personnel change during the period of American Rescue Plan Act (ARPA) grant disbursements from January 2022 to June 2023. The Chief Financial Officer, Accounting Manager, and Accountants had moved on to other state agencies. The accounting positions were left vacant for months due to challenges in timely filling these positions with the right skill sets. Although there were only a few accounting staff left when the majority of the grant disbursements were made, the accounting staff processed the disbursements with very tight deadlines. The accounting staff processed the disbursements of grants through appropriate internal control procedures, reviewed supporting documents with appropriate signature approval on the requests, and made accounting entries as appropriate for these grant activity transactions. The U.S. Treasury Final Rule issued in November 2022 that clarified the definition of a beneficiary with respect to awards of SLFRF came late in the period as a majority of grant disbursements were already done prior to this issuance.

As the accounting team continues to research and review prior period (FY23) transactions, in January 2024 the accounting team found \$16.4 million in beneficiary payments were incorrectly classified as "sub-recipients." The accounting team notified the Department of Administrative Services Statewide Accounting and Reporting Services (DAS SARS) team of this error and submitted a revised FY 2023 SEFA report with corrections.

The correction of the Fiscal Year 2023 SEFA report was completed in January 2024. These grant awards were completed in Fiscal Year 2023 and no disbursements occurred in Fiscal Year 2024.

Business Oregon management will continue to implement the following corrective actions for Fiscal Year 2024:

- All accounting staff will attend the annual training by DAS SARS to ensure they have the latest accounting training and information for financial reporting.*
- All accountants responsible for federal reporting will review all specific training by DAS SARS related to federal reporting.*
- The Accounting Manager or Accountant responsible for releasing the payment batches in R*STARS will carefully review the accounting coding entered by the accounting technician to*

properly classify each vendor as either a beneficiary (direct expenditure) or subrecipient (pass-through expenditure) of the grant award.

- *The Accountant responsible for the SEFA reporting will review each subrecipient's report to ensure the report is accurate, and complete the corrections form when appropriate.*
- *All SEFA reports and underlying support will be reviewed by an Accounting Manager.*

2023-005 Department of Justice

Report settlement proceeds belonging to the State in a non-custodial fund

Material Weakness

Criteria: Government Accounting Standards Board Statement No. 84

The Department of Justice (department) litigates cases, on behalf of the State of Oregon (State) and its citizens. Litigation cases can include, but are not limited to, anti-trust lawsuits, consumer protection lawsuits, and cases against companies involved in polluting the environment. As cases are concluded, the department receives settlement proceeds on behalf of the State, designated individuals, and others. Statutes direct the department to deposit these settlement proceeds in a client trust account prior to being legally allowed to distribute funds to appropriate individuals, state agencies or others.

In the accounting system, the department currently accounts for client trust account activity in its client trust fund. The client trust fund is reported as a custodial fund which is used to report fiduciary activities that are not held in a trust, and include assets designated for the benefit of individuals, organizations, or other governments. However, in accordance with accounting standards, settlement proceeds received on behalf of state agencies or whose use will be directed by a state agency does not meet the above definition and should not be reported in a custodial fund but rather as part of the State's activities.

During the audit, we found several settlements had been incorrectly reported in the custodial fund at year-end instead as part of the State's activities. The proceeds of these settlements generally belonged to and were controlled by the State or one of its agencies. For example, the department recorded the \$698 million in settlement proceeds with Monsanto & Company in the client trust fund. The use of these monies is at the sole discretion of the State and is designated for environmental cleanup purposes. At June 30, the department had not distributed the proceeds as it was waiting on the legislature to determine to what account and agency the funds should be distributed. The department has not established a mechanism to ensure in these instances the activity is reported as part of the State's activities for financial reporting purposes in accordance with accounting standards.

As a result, over \$584 million in assets, \$132 million in expenditures and \$710 million in revenues were incorrectly reported as fiduciary activities instead of as part of the State's activities for financial reporting purposes.

We recommend management ensure settlement proceeds, and related revenues and expenditures, belonging to the State or one of its agencies are reported in a non-custodial fund. We also recommend management establish a different fund within the State's activities that is still part of the client trust account.

MANAGEMENT RESPONSE:

GASB 84 requires settlement proceeds belonging to the state or state agencies to be recorded in a non-fiduciary account within the fiscal year in which the funds were received. DOJ placed all funds in a safe and secure legislatively approved Client Trust Account but agrees there is a procedural correction needed to accommodate the GASB 84 accounting standard. DOJ disagrees with the characterization of this audit's finding as a "material weakness."

DOJ has met and continues to meet with the Department of Administrative Services (DAS) to affirm what special funds within the State's financial statement reporting entity accomplish the purpose of a fiscal safekeeping structure that a Client Trust Account has while also ensuring the proper inclusion of accounting activity in the State's financial statements. DOJ is also engaged in conversations with the Legislative Fiscal Office (LFO) regarding the potential to create a new statutory account to address the needs of DOJ in alignment with GASB 84.

DOJ will continue to use the Client Trust Account but will meet with DAS – Statewide Accounting and Reporting Services (SARS) promptly and within the same fiscal year when settlement proceeds are received to ensure settlement proceeds are placed in the appropriate special fund (non-fiduciary) and appropriately recognized in the State's financial statements.

Anticipated Completion Date: June 30, 2024

2023-006 Department of State Lands/Oregon State Treasury
Unclaimed property valuation

Material Weakness

Criteria:

Management should have an internal control system in place designed to provide for the calculation of the deposit liabilities that do not require significant adjustments during the audit process.

Condition:

As part of our audit procedures, we identified an error in the calculation of the deposit liabilities regarding the estimated unclaimed amount. This amount had to be corrected during the course of the audit fieldwork. In addition, we noted the deposit liability used to determine the estimated unclaimed amount did not reconcile to the general ledger.

Cause:

Controls were not operating effectively to ensure the journal entry to record the annual adjustment for estimated unclaimed amount was correct. The Treasury department could not get holder year information on claims paid into the general ledger to calculate the estimated liability which resulted in a difference between the between the general ledger and claim system (KAPS) as of June 30, 2023.

Effect:

The deposit liability was understated by \$39,490,223 and had to be corrected through the audit adjustment process. The deposit liability used to determine the unclaimed amount did not reconcile to the general ledger by \$3,384,341. The unreconciled amount between the general ledger and claims system could become material if not researched and resolved timely.

Recommendation:

We recommend additional layers of review over the annual unclaimed property valuation be implemented to ensure the deposit liability is materially correct. We recommend the Treasury's claims system (KAPS) be reconciled to general ledger monthly to ensure all variances are researched (i.e. holder year information is identified) and resolved.

MANAGEMENT RESPONSE:

We partially agree with this recommendation.

For the first item, as the prior year was the first year, the full balance of the unlikely to be claimed account had to be booked. We missed making the process change to record only the change instead of the full

amount. Once this was identified we adjusted the worksheet to ensure this happens going forward. We believe this change is adequate and no further changes are planned.

The second item is more complex and if given the opportunity wouldn't have said we concur with the recommendation. The way the finding is written it has two parts, the values used determine the estimated amount of deposit liability likely to be unclaimed and then the system reconciliation. We feel that the current methodology is currently, and will remain, materially accurate. The deposit liability recorded in SFMA does not contain data as to the specific year that the liability is from or the specific year that a claim paid relates to. Because of this we started using a different report out of KAPs that contains data on the amounts reported each year. Then we use a second report for claims as each claim can include amounts from multiple reporting years. Combined, these reports cover the majority of deposit liability. We use this to prepare an estimate of the percentage of liabilities that will never be claimed. Once the percentage has been identified it is applied against the entire liability balance. While we prepare the estimated percentage with less than 100% of the liability balance, the revised approach is significantly more accurate than previous methodologies.

As to reconciling SFMA to KAPs, we have not changed the approach that has been used for as long as we have been able to identify records. We reconcile deposits and claims paid as they come in, and for the annual amount. There is not, and program was unable to identify that there ever has been, a reconciliation of the total outstanding balance between the two systems. Designing a system to reconcile SFMA to KAPs would require significant work and we cannot say that the reports that were used to develop the estimate would be the correct reports to prepare that analysis. We are currently unable to validate if the \$3 million amount referenced is truly the unreconciled balance or if that is increasing or decreasing over time. Developing and implementing a SFMA to KAPs reconciliation would require additional staffing. It is not currently known if this will be included as a POP in the 25-27 budget build. If this was added to a POP and if it is approved by the legislature, the positions would be hired in FY26 so the first reconciliation wouldn't be performed until FY 26 or FY 27 at the earliest.

Anticipated Completion Date: June 30, 2024

2023-007 Oregon Department of Emergency Management

Strengthen controls over the year-end accrual process

Significant Deficiency

Criteria: Oregon Accounting Manual (OAM) 10.15.00.103; OAM 10.10.00.PR (.114)

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

The Oregon Department of Emergency Management (department) became a separate state agency effective July 1, 2022. Prior to this date, the department was part of the Oregon Military Department (OMD) and followed OMD's established year-end accrual process. Fiscal year 2023 was the first full accounting cycle the department was responsible for as a stand-alone agency.

The department has not developed a documented process outlining the year-end accrual process for federal revenue or the associated federal expenditures. During our audit, we identified several areas for improvement in the department's year-end accrual process. Specifically,

- Requests for Reimbursement (RFRs) are approved by program staff, then given to grant accountants for payment processing. As necessary, grant accountants request additional support

from the sub-recipients to be able to substantiate the expenses before processing any payments. There is no consistent method of tracking to identify when financial services receive the RFRs, making it difficult to determine what state the RFRs are at in the accounting process. Therefore, estimating which RFRs are appropriate to accrue at year end is difficult.

- Documentation for year-end accruals was lacking in detail sufficient to tie the documentation to the individual accrual entries.
- At year end, it is expected federal expenditures and federal revenue would be in balance. During year end process, the department recognized federal revenue and federal expenditures were out of balance, with federal revenue being greater. An accounting entry was made to reduce federal revenue by \$10.4 million and recognize unearned revenue, which is revenue received in advance of expenditures. The accounting documentation was not sufficient to support the entry and did not seem reasonable as grants are on a reimbursement basis. Upon audit review, it was determined an error had been made when accruing federal revenue and accounts receivable. Accounts receivable should have been reduced instead of recognizing unearned revenue.

By not having documented policies and/or processes relating to the year-end accrual process, there is an increased risk that the financial statements could be materially misstated.

We recommend department management develop and document the year-end accrual process for federal expenditures and federal revenue. Additionally, the department should strengthen its RFR tracking to be able to tie the individual RFRs to SFMA accrual entries.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The Oregon Department of Emergency Management (ODEM) continues to strengthen its financial processes. The agency went through the year-end accrual process for the first time and noted various improvement opportunities.

In addition to continuing to create and implement policies, procedures and protocols, the agency will also continue to work to ensure that the program and finance staff are in sync with regard to the Request for Reimbursement tracking. The agency is currently working with other agencies and testing various tools like Smartsheets, that will take the place of multiple excel spreadsheet trackers. Agency leadership is also seeking a data management system in the 25-27 biennium to assist with better situational awareness. The agency will utilize the fiscal year end close as an opportunity to test its new tracking systems.

Anticipated Completion Date: June 30, 2025

2023-008 Oregon Employment Department
Reconcile employer tax records transferred from Department of Revenue with tax system
Significant Deficiency

Criteria: OAM 10.10.00.PO.102

Oregon Employment Department (department) management is responsible for ensuring internal controls provide reasonable assurance for the reliability of financial reporting. The department is responsible for tracking and reconciling the daily amounts of unemployment and paid leave payments transferred from the Department of Revenue (DOR) to what is reported in the department employer tax system, Frances, which was implemented in September 2022.

The department compares daily DOR transfer reports to reports generated from Frances. Department procedures include retaining these reports to support the reconciliation and, if applicable, investigating discrepancies greater than \$1,000 to identify the cause. The department's current written standard operating procedures for this reconciliation are insufficient:

- There is no explanation for which reports to use from Frances, how to obtain them, or that they should be retained.
- There is no instruction on which differences require explanations.
- Notes indicate that it would be almost impossible for Frances not to balance with the DOR reports.

This daily reconciliation was not performed January 2023 through June 2023, as the employee responsible resigned and no one else was reassigned the responsibility. Lack of reconciliation increases the risk the department would be unaware if payments in the new system were being accurately and completely recorded.

The department completed these reconciliations by the end of September. We selected for testing 25 unemployment tax transfers from July 1, 2022 through June 30, 2023, and 22 paid leave contribution transfers from January 1 through June 30, 2023, in addition to performing a high-level review of the entire year's reconciliations. As reports were not retained, the department struggled to provide sufficient support that agreed to amounts on the reconciliation worksheet. We found unresolved unemployment differences totaled \$6.5 million and paid leave differences totaled \$956 thousand as of October 28, 2023, with DOR records higher than Frances records.

Without effective reconciliation controls in place there is a risk that revenue could be materially misstated in Frances and that this incorrect information could be used elsewhere within the agency. When transfer differences are not addressed timely, the risk increases that explanations will not be found.

We recommend department management develop procedures to reconcile amounts transferred from DOR to Frances, retain the documentation and timely follow-up on differences.

MANAGEMENT RESPONSE:

We agree with this recommendation.

Prior documentation was no longer accurate with the change to the new technology system.

Documentation is being revised to reflect current and accurate practice. The work to review and reconcile DOR transfer documents for accuracy is being conducted daily. In addition, while currently there is only one individual that is responsible for conducting this work, OED is in the process of cross-training key individuals within the Account Resolution Unit to conduct this work. The trained individuals will be assigned this work on a weekly rotating basis, with quality control oversight from the accountant to ensure that the work is being conducted properly. The cross-training, and monitoring and review of those cross-trained employees, will ensure the process will be completed timely and accurately should there be a change in personnel. Finally, as part of the new procedure, review documents will be retained daily so that necessary documentation will be available should there be additional questions on process or daily numbers.

Anticipated Completion Date: March 14, 2024

2023-009 Oregon Employment Department
Improve documentation and controls over year-end tax related receivable accruals
Significant Deficiency

Criteria: OAM 10.30.00.PO; Statewide Accounting & Reporting Services Guide to Year-End Closing Section D.6

For most of the year, the state's accounting system operates on a cash basis of reporting. At fiscal year-end, state agencies are responsible for making year-end entries in the accounting system to facilitate financial reporting on an accrual basis. This includes estimating certain transactions such as unemployment and paid leave revenue earned but not received.

During the fiscal year, the Oregon Employment Department (department) implemented a new information system, Frances, to maintain unemployment, paid leave, and other tax information. As a result, the department had to develop new reports/queries of data from Frances to estimate the tax related receivable accruals (accruals). The department faced time constraints to build numerous queries to support the entry before year-end close. Multiple versions of different queries were created to identify the filters needed for accurate reports and resulting cube reports required additional filtering. However, the department did not retain copies of final reports or filters used in the accrual documentation or a list of the final query names.

Upon our request for supporting documentation for the accruals, we identified the following:

- It took the department several weeks to identify the cube reports and filters used to prepare the accrual worksheets and provide us the supporting documentation.
- The cube reports supplied agreed materially to the accrual worksheets. However, when differences were noted, the department was unable to determine if differences were due to an undocumented adjustment they made, or the report yielded different results because it was run on a later date. In one instance, the department was able to determine they had used an incorrect report.
- Not all computations and rationales used on accrual worksheets were in the written methodology correctly. This would cause errors in future years if the methodology were followed.
- There was no evidence of review of the accrual worksheets to ensure calculations were correct or followed the methodology.

In addition, we identified an error in the accrual methodology related to prepayments. The department incorrectly included as prepayments revenues not related to a receivable. As a result, unemployment revenue and paid leave revenue were understated by \$21.3 million and \$12.4 million respectively.

Finally, the department's paid leave revenue estimate was understated by \$29.8 million when we compared it to actual revenue received by the end of September 2023. This is caused in part by not having historical data as this revenue was new beginning in January 2023.

We recommend department management implement procedures to ensure employer tax and paid leave contribution accrual calculations are reviewed and agreed to source documentation, and that source data used is retained and readily available. **We also recommend** department management run Frances reports on July 1, or identify needed filters to ensure reports accurately reflect June 30 data. **We further recommend** department management improve its methodology regarding prepayments and paid leave receivables.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The department continues to work with the current reporting system to refine the proper queries to ensure that the methodology to generate the contribution accrual calculations are reviewed and the source documentation is agreed upon. To ensure that the necessary documentation is preserved for this activity and that the information is available in a manner that will be repeatable on an annual basis, we will make the following changes to our processes:

- Written documentation of the methodology and process will be updated to reflect steps necessary to obtain the proper information, including a notation that the information has been reviewed by a second individual.*
- All filters that are used to generate the cube reports will be captured and noted when the report is run.*
- After filters are applied and the cube reports are generated for the activity, the report will be printed to capture the proper point in time information.*
- When the accrual worksheet is provided to ABS, the printed copies of any source data reports will also be provided.*

The department has generated ticket #5508 in Frances to have the audit reports scheduled to run automatically on an annual basis after the June 30 nightly jobs have been completed. Doing this will preserve the information so that the data can be used for point in time comparison. The results of the appropriate reports will be distributed to the following positions to ensure that more than one person has access to the report when it is generated:

- Administrative and Business Services Division: Oregon Employment Department CFO – Carolina Valladares; and Financial Services Manager – Ginger Clark*
- Contributions and Recovery Unit: Deputy Director, Operations and Determinations Manager, ARU manager, and Lead Accountant*

The Department has already identified Frances prepayment reporting challenges and included a year-end timeline task to ensure subsequent prepayment amounts will be limited to the appropriate quarters.

The Department has already coordinated with the Paid Leave Oregon economist to prepare a second quarter forecast each year similar to that completed by the Unemployment Insurance economist. The paid leave economist forecast will be incorporated into the paid leave second quarter tax estimate at fiscal year-end.

Anticipated Completion Date: July 1, 2024

2023-010 Oregon Employment Department
Ensure Frances correctly allocates unemployment insurance revenue
Significant Deficiency

Criteria: OAM 10.10.00.PO.102

Oregon Employment Department (department) management is responsible for establishing and maintaining internal controls to provide reasonable assurance for the reliability of financial reporting.

During state fiscal year 2023, the department implemented a new information system, Frances, to maintain unemployment and other tax information. Frances uses applicable tax rates per employer to verify submitted tax forms are accurate, and calculates tax offsets, which transfers some unemployment tax to other funds as outlined in law.

We sampled 132 unemployment tax payments and found one instance in which Frances did not allocate the tax offset, causing a misstatement to unemployment tax. The department determined Frances is not coded to calculate tax offsets when an employer's payment is applied to a wage adjustment tax transaction.

Although this error is unlikely to cause a material misstatement, it is a system error that will continue to repeat until corrected. The department has since submitted a ticket to have the issue corrected.

We recommend department management ensure Frances correctly allocates employer payments.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The department identified the issue during the audit, and so Ticket #4781 was requested for a Frances remediation of this issue on 12/05/2023. The ticket has been accepted (SQR 3995) and is in the process of being worked. Due to the impending Unemployment Benefits go live process, this ticket will be reevaluated at the time of system stabilization. At this time, it is our best time estimate that this work will be completed at the end of this calendar year.

Anticipated Completion Date: December 31, 2024

2023-011 Oregon Department of Fish and Wildlife

Improve cash handling controls

Significant Deficiency

Criteria: OAM 10.10.00.PR.101; OAM 10.20.00.PR.124

Department management is responsible for ensuring internal controls are adequate to mitigate the risk of misappropriation of cash. State policy requires that mail containing remittances should be opened by two designated persons. In cases where the volume of receipts is light or the cash received is in small amounts, and the risk evaluation indicates low risk levels, one person may open the mail. In cases where only one person opens the mail, additional control procedures may be required.

The department described their controls over mail containing remittances to include two designated staff members opening, sorting, and logging checks and cash received. During our observation, we noted the second designated staff member left in the middle of the opening, sorting, and logging process. This resulted in one person opening, sorting, and logging remittances that arrived in the mail that day. Based on further inquiry, the remaining staff member confirmed our observations and stated it is normal for only one staff member to open, sort and log checks and cash received in the mail.

After further discussion with department management, they asserted they have a low volume of receipts and their overall risk of misappropriation is low. The department was unable to provide documentation to support their assessment of the volume or risk of misappropriation over the audit period.

We recommend department management document their assessment of the volume and risk related to mail processing procedures, and ensure controls are adequately designed to address identified risks.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The Department plans to modify mail handling procedures to require mail containing remittances to be opened by two designated persons, consistent with OAM 10.20.00.124. By implementing this higher level of control, additional assessment of risks related to mail processing procedures will not be necessary.

Anticipated Completion Date: June 30, 2024

2023-012 Oregon Department of Transportation
Ensure TEAMS to SFMA reconciliations are performed timely
Significant Deficiency

Criteria: Oregon Accounting Manual; Oregon Department of Transportation Financial Administration and Standards Manual

The Transportation Environment Accounting and Management System (TEAMS) is the department's accounting system of record. TEAMS interfaces with the Statewide Financial Management Application (SFMA). Department and State policies require reconciliations between the systems to ensure all transactions have interfaced and are accounted for accurately.

Department staff historically performed a monthly reconciliation between each SFMA receipted cash account and its equivalent TEAMS cash fund. During the audit we were informed by management the monthly reconciliations were only performed the first quarter of fiscal year 2023 due to staffing changes and shortages. Without reconciliations between systems by fund the department is unable to ensure all transactions are accounted for accurately at the fund level, which could lead to inaccurate financial reporting.

We recommend management ensure reconciliations between SFMA and TEAMS are performed timely, and all outstanding reconciliations are completed.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The Department is in the process of becoming current on reconciliations through June 2024. ODOT fell behind on this process due to a vacancy in a key accounting position, and like many other organizations we had challenges filling this position. This position has now been filled and the employee is completing the reconciliations that have not been completed.

The reconciliation process between TEAMS and SFMA is a manual process that compares multiple transactions in TEAMS to one transaction in SFMA. Financial Services is working to improve the process of reconciling transactions between TEAMS and SFMA by automating the process to make it more efficient and timely by reviewing exceptions only versus all transactions. This would ensure that reconciliation is completed timely, even in the event of a vacancy in the accounting staff.

Anticipated Completion Date: September 1, 2024

2023-013 Oregon Liquor and Cannabis Commission
Strengthen controls over statutorily required transfers and distributions
Significant Deficiency

Criteria: ORS 471.810

Within 35 days of month-end the Oregon Liquor and Cannabis Commission (commission) is required to certify the amount of money available for distribution and transfer. The commission must distribute 20% to cities and transfer 56% from the Liquor Control Funds to the General Fund. When reviewing the distribution and transfer calculations performed by the commission, we noted that the process results in inappropriately distributing and transferring more funds than is required statutorily at year-end.

To identify funds available to distribute and transfer, the commission uses information from two accounting systems, the commission's internal general ledger software and the state's accounting system. Using two systems has resulted in the commission including amounts from other funds not related to the Liquor Control Fund in their calculations as well as potentially double counting some amounts. The commission does not currently reconcile these two systems. Without this reconciliation, the commission will not be able to ensure the future calculations related to distributions and transfers are appropriate and in compliance with statutes.

Additionally, we noted that only 2 out of 12 distributions and transfer payments were made within the statutorily required 35 days. In fiscal year 2023, the commission implemented a new Privilege Tax system used to determine funds related to privilege tax, which led to delays in timely distributions and transfers.

We recommend commission management strengthen internal controls to ensure the accounting systems reconcile and that the appropriate amount is being distributed to cities and transferred to the General Fund within the required 35 days.

MANAGEMENT RESPONSE:

We agree with this recommendation.

OLCC will implement the appropriate controls and procedures to address this finding by June 30, 2024.

Anticipated Completion Date: June 30, 2024

2023-014 Oregon Liquor and Cannabis Commission
Ensure timely completion of agent inventory audits
Significant Deficiency

Criteria: OAM 10.10.00.PR.101-102; agency management

The Oregon Liquor and Cannabis Commission (commission) controls all sales of liquor in Oregon. Oregon's 283 liquor stores are operated by contracted agents that sell liquor on behalf of the state. Liquor sales, including information on inventory sold, are submitted by the agents to the commission weekly. Management is required to implement and maintain internal controls to ensure agent reported information includes all liquor sales. We were unable to obtain a written policy; however, per management, an important part of this control is achieved by performing an inventory audit at each liquor store no less than once per year.

The timely completion of agent inventory audits is important to ensure any discrepancies between commission records and agent sales are identified and corrected as soon as possible. As the cause of

discrepancies may range from timing issues to intentional misrepresentations made by the agent, the completion of agency inventory audits also helps serve as a deterrent to agent misconduct.

We noted that 22 agents had not received an inventory audit during the fiscal year. Additionally, during our testing of agents that received an inventory audit during the fiscal year, we noted that 8 out of 25 were not completed within 12 months of their prior audit. Per management, staff turnover and shutdowns from COVID-19 have impacted their ability to perform timely agent inventory audits. During fiscal year 2023 management has worked to create a schedule to bring inventory audits back on schedule and maintain necessary audit timelines going forward.

We recommend commission management complete agent inventory audits for all agents that haven't had one within the last 12 months as soon as possible. **We also recommend** management ensure controls are documented in formal written procedures.

MANAGEMENT RESPONSE:

We agree with this recommendation.

OLCC will ensure audits are scheduled for the agents who were not audited within the last fiscal year and the appropriate procedures are documented by June 30, 2024.

Anticipated Completion Date: June 30, 2024

Section III – Federal Awards Findings and Questioned Costs

Management Responses are submitted by agency management and are not subject to auditing procedures.

2023-015 Oregon Housing and Community Services

Fully implement controls to ensure subrecipients are in compliance with program requirements

Federal Awarding Agency:	U.S. Department of Housing and Urban Development
Assistance Listing Number and Name:	14.231 Emergency Solutions Grants Program (COVID-19)
Federal Award Numbers and Years:	E-20-DW-41-0001, 2020 (COVID-19)
Compliance Requirements:	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Procurement, Suspension, and Debarment, Special Tests and Provisions
Type of Finding:	Material Weakness
Prior Year Findings:	2022-018, 2022-019, 2022-020, 2022-021, 2022-024
Questioned Costs:	N/A

Criteria: 2 CFR 200.303(a); 2 CFR 200.311; 2 CFR 200.313; 2 CFR 200.317 - .327; 24 CFR 576.100; 24 CFR 576.101(c); 24 CFR 576.102(c)

The Emergency Solutions Grants (ESG/ESG-CV) program is operated by the department via pass-through funds to subrecipients. With the significant influx of pandemic relief funds, the department expanded the number of subrecipients partnered with from 17 longstanding community action agencies (CAAs) to a total of 45 CAA and non-CAA subrecipients. During fiscal year 2023, 98% of program expenditures were passed through to 40 of these subrecipients.

Department management is responsible for establishing and maintaining effective internal control that provides reasonable assurance program expenditures are in compliance with the terms and conditions of the federal award. However, the significant increases to federal funding the creation and implementation of a new award system for non-CAA recipients, and the increase in the number of subrecipients, along with a period of high employee turnover led to delays in the department's development and implementation of sufficient subrecipient monitoring processes that would meet this objective.

Department management subsequently contracted with a private auditing firm to assist in the monitoring of the program activities and expenditures of funds passed through to the subrecipients to remedy the noted control weaknesses. Department staff and the private auditing firm are currently working through the monitoring backlog. However, at the time of the audit, monitoring of only 16 of the 40 subrecipients had been completed which represents 58% of the fiscal year 2023 pass-through expenditures. Additionally, the completed monitoring was only performed over fiscal year 2022 expenditures as the department works to catch up on monitoring of prior year expenditures. Incomplete monitoring could lead to program noncompliance.

We recommend department management complete the review and monitoring of program funds passed through to subrecipients for compliance with all applicable program requirements.

MANAGEMENT RESPONSE:

We agree with this recommendation.

OHCS has hired an outside contractor to complete the requested work. Contractor was not in place in time to complete action prior to end of audit work, however work will be finalized prior to the end of the current fiscal year.

Anticipated Completion Date: June 30, 2024

2023-016 Oregon Housing and Community Services

Verification that subrecipients have not been suspended or debarred needs to be retained

Federal Awarding Agency:	U.S. Department of Housing and Urban Development
Assistance Listing Number and Name:	14.231 Emergency Solutions Grants Program (COVID-19)
Federal Award Numbers and Years:	E-20-DW-41-0001, 2020 (COVID-19)
Compliance Requirements:	Procurement and Suspension and Debarment
Type of Finding:	Material Weakness
Prior Year Finding:	2022-022
Questioned Costs:	N/A

Criteria: 2 CFR 200.317 - .327

The prior-year audit noted that procurement processes were not followed. Specifically, evidence the department verified non-community action agencies receiving Emergency Solutions Grant Program and ESG-CV money were not suspended or debarred was not retained.

During the audit, we attempted to review the suspension and debarment status of those entities that had received ESG and ESG-CV funds in 2023. We found the department did not retain evidence the suspension and debarment status of subrecipients was verified. Management stated this was due to the contracts being executed prior to fiscal year 2023. Due to employee turnover, it was unclear whether the verifications had not been performed or documentation had not been retained. Current procurement staff have since developed procedures to ensure future compliance with suspension and debarment requirements.

We recommend department management perform and retain evidence of checks of suspension and debarment for all new and existing contracts.

MANAGEMENT RESPONSE:

We agree with this recommendation.

Since the original findings in 2022, we have added the SAM check as a mandatory review activity in our agreement trackers and have provided training and guidance as to the retention of the screenshots of the SAM check as of 6/30/2023. As we have experienced some additional staff turnover since then, we will reiterate that guidance; document the requirement in a team procedure; and provide a refresher as to the necessity of this document retention on a recurring basis. This will currently be in the Procurement Administrative files but is subject to change as there is a project in motion at OHCS for a Grant Management System that may inform a procedural change as to how and where we retain and archive agreement documentation.

Anticipated Completion Date: June 30, 2024

2023-017 Oregon Housing and Community Services

Ensure review of federal cash draws are adequately documented to support the draws are for the immediate cash needs of the program

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.568 Low-Income Home Energy Assistance Program 93.568 Low-Income Home Energy Assistance Program (COVID-19)
Federal Award Numbers and Years:	2102ORE5C6, 2021 (COVID-19); 2102ORLIEA, 2021; 2202ORLIEA, 2022; 2302ORLIEA, 2023; 2302ORLIEE, 2023; 2302ORLIEI, 2023
Compliance Requirement:	Cash Management
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2022-034
Questioned Costs:	\$14,831.23 (known); \$27,652.04 (likely)

Criteria: 31 CFR § 205.33(a); 2 CFR § 200.303

Department management is responsible for establishing and maintaining effective internal control that provides reasonable assurance the department is managing the federal award in compliance with the terms and conditions of the federal award. Cash draws on federal awards should be limited to the minimum amount needed for the immediate cash needs of operating the program.

We reviewed 60 randomly selected subrecipient requests for funds, five randomly selected cash draws for the reimbursement of central administrative costs, and one judgmentally selected cash draw for disbursements to subrecipients. We noted the following based on our review:

- Five of the subrecipient requests for funds totaling \$44,166.54 were for advance payments that did not have sufficient documentation supporting the immediate cash needs of the requests. Without adequate verification of cash needs, the department is at risk of sending funds to subrecipients that are not for the immediate cash needs of the program.
- Two of the cash draws for central administrative costs and the one cash draw for disbursements to subrecipients did not have evidence of separate review and approval prior to the drawdown of funds. One of these draws resulted in inadvertently drawing \$14,831.23 in funds from the incorrect award.

We recommend department management ensure controls are implemented and documented to verify cash draws are for the immediate cash needs of the program and are made on the correct awards.

MANAGEMENT RESPONSE:

We agree with this recommendation.

Additional training has been provided to new team members, to ensure adequate documentation exists to support immediate cash needs. Two-step verification of all draws is also required. Refresher training has been provided to staff to ensure oversight is in place at all times. The funds inadvertently drawn were corrected the first week of March 2024.

Anticipated Completion Date: June 20, 2024

2023-018 Oregon Housing and Community Services
Ensure grant management report control is performed and documented

Federal Awarding Agency: U.S. Department of Health and Human Services
Assistance Listing Number and Name: 93.568 Low-Income Home Energy Assistance Program
93.568 Low-Income Home Energy Assistance Program
(COVID-19)
Federal Award Numbers and Years: 2102ORE5C6, 2021 (COVID-19); 2102ORLIEA, 2021;
2202ORLIEA, 2022; 2022ORLIEI, 2022; 2302ORLIEA, 2023;
2302ORLIEE, 2023; 2302ORLIEI, 2023
Compliance Requirement: Earmarking; Period of Performance
Type of Finding: Significant Deficiency; Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR § 200.303; 45 CFR § 96.14(a)(2)

The department is subject to various Earmarking and Period of Performance requirements as a condition of their awards under the Low-Income Home Energy Assistance Program (LIHEAP). Department management is responsible for establishing and maintaining effective internal control that provides reasonable assurance the department is managing the federal award in compliance with the terms and conditions of the federal award. Additionally, management is responsible for evaluating and monitoring the department's compliance with the terms and conditions of federal awards and taking prompt action when instances of noncompliance are identified.

The department's monthly preparation of the Grant Management Report serves as the control that helps provide assurance over compliance with the Earmarking and Period of Performance requirements. However, according to department management, staffing challenges led to the Grant Management Reports not being consistently prepared throughout state fiscal year 2023.

No instances of noncompliance were noted during our testing of the Earmarking requirement. However, we identified one award where the Period of Performance deadline for the obligation of 90% of the award was not met. Without a consistently performed control, the department is subject to increased risk of noncompliance.

We recommend department management ensure controls are performed and documented as intended by their established process.

MANAGEMENT RESPONSE:

We agree with this recommendation.

A dedicated staff resource has been trained and has brought grant reconciliations and reporting current. Additional training has been provided for awareness of the earmarking and obligation requirements as well.

Anticipated Completion Date: June 30, 2024

2023-019 Oregon Housing and Community Services
Ensure documentation is retained to support amounts reported

Federal Awarding Agency: U.S. Department of Health and Human Services
Assistance Listing Number and Name: 93.568 Low-Income Home Energy Assistance Program
93.568 Low-Income Home Energy Assistance Program
(COVID-19)
Federal Award Numbers and Years: 2102ORE5C6, 2021 (COVID-19); 2102ORLIEA, 2021;
2202ORLIEA, 2022; 2302ORLIEA, 2023; 2302ORLIEE, 2023;
2302ORLIEI, 2023
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency; Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 200.303(a)

Department management is responsible for establishing and maintaining effective internal control that provides reasonable assurance the department is managing the federal award in compliance with the terms and conditions of the federal award.

The department is required to submit the Quarterly Performance and Management (Quarterly) Report that contains various data and information including the obligation of funding. During our testing of the Quarterly reports submitted during the state fiscal year 2023 audit period, we identified discrepancies in the obligation totals reported by the department compared to auditor recalculations for two of the four quarters. However, the department was not able to locate documentation supporting the obligation totals included in the reports.

We recommend department management ensure adequate controls are in place over reporting and documentation is retained to support the amounts reported.

MANAGEMENT RESPONSE:

We agree with this recommendation.

Staff have received training and documentation is now retained consistently to support reported figures.

Anticipated Completion Date: June 30, 2024

Implement controls to ensure subrecipients are appropriately identified and monitored

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.958 Block Grants for Community Mental Health Services 93.958 Block Grants for Community Mental Health Services (COVID-19) 93.959 Block Grants for Prevention and Treatment of Substance Abuse 93.959 Block Grants for Prevention and Treatment of Substance Abuse (COVID-19)
Federal Award Numbers and Years:	93.958: 1B09SM083823, 2021; 1B09SM086032, 2022; 1B09SM087383, 2023; 1B09SM085378, 2021 (COVID-19); 1B09SM085906, 2021 (COVID-19); 1B09SM083994, 2021 (COVID-19) 93.959: 1B08TI083472, 2021; 1B08TI084667, 2022; 1B08TI085829, 2023; B08TI083963, 2021 (COVID-19); B08TI084603, 2021 (COVID-19); B08TI083513, 2021 (COVID-19)
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Material Weakness; Material Noncompliance
Prior Year Finding:	2022-043
Questioned Costs:	N/A

Criteria: 45 CFR 75.351(a); 45 CFR 75.352(b); 45 CFR 75.352(d)

Federal regulations require pass-through entities to determine if the recipients of disbursements of federal funds are subrecipients or contractors. The subrecipient and contractor determination will impact which federal compliance requirements recipients are subject to and how program expenditures are reported on the Schedule of Expenditures of Federal Awards (SEFA). For recipients meeting the definition of a subrecipient, federal regulations require pass-through entities to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining appropriate subrecipient monitoring activities. Monitoring activities should be completed based on the results of the subrecipient's determined risk to ensure subawards are used appropriately.

We reviewed the department's classification of a sample of eight of 58 Mental Health Block Grant (MHBG) and 16 of 126 Substance Abuse Block Grant (SABG) recipient contracts with expenditures recorded during state fiscal year 2023. Based on the following inconsistencies identified during our review, it is unclear if the department correctly classified recipients as subrecipients or contractors and whether the related expenditures are reported accordingly.

- Two recipients of MHBG funds were classified as subrecipients by the department, but it was unclear if each met the definition of a subrecipient.
- One recipient of MHBG funds and three recipients of SABG funds were classified as a contractor and appeared to meet the definition of a contractor; however, payments made to these recipients were recorded as passthrough expenditures.

- One recipient of MHBG funds was not included in the department's Federal Funding Accountability and Transparency Act (FFATA) reporting. The oversight is due to the recipient being categorized as a subrecipient in the contract but as a contractor in the department's database used to track subrecipients requiring FFATA reporting.

In addition, we followed up on similar errors noted during the prior fiscal year. Two recipients of MHBG funds and one recipient of SABG funds were inappropriately categorized as subrecipients in the prior fiscal year and reported passthrough expenditures in state fiscal year 2023. During the prior audit, the department agreed one of the entities in question should be a contractor and the related expenditures should be reported as direct rather than passthrough.

We also noted both direct and passthrough expenditures were reported for two counties receiving MHBG funds; however, the contracts did not clearly indicate what expenditures would be considered direct expenditures, and which would be considered passthrough to the counties.

The above issues did not result in questioned costs. However, a total of \$724,634 in MHBG funds and \$235,000 in SABG funds were reported as passthrough expenditures and should have been reported as direct expenditures.

Finally, we inquired of the department's risk assessment and monitoring activities for subrecipients. Based on our inquiries, the department does not have a formal implemented process for performing risk assessments to determine appropriate monitoring activities. Moreover, the department has not implemented a formal process to ensure subrecipients comply with federal regulations, terms, and conditions of the subaward, and subaward performance goals are achieved. If subrecipient monitoring is not performed and documented, subawards could be used for unauthorized purposes and performance goals may not be met.

We recommend department management ensure recipients of federal funds are appropriately identified as subrecipients or contractors and the corresponding disbursement of federal funds are appropriately reported as direct or passthrough expenditures. **We further recommend** department management comply with subrecipient monitoring requirements, develop and implement internal controls to ensure risk assessments are performed and documented for each subrecipient, and monitoring activities are completed and documented according to risk assessment results.

MANAGEMENT RESPONSE:

We agree with this recommendation.

Contracts and program staff have piloted and implemented tools to help administrators determine if the NFP is a contractor or sub-recipient using the determination checklist. Department managers have communicated expectations related to the use of this tool and guidance to ensure that contract administrators understand how to determine if an agency is a contractor or sub-recipient. If determination identifies a subrecipient relationship, controls are in place to ensure the Federal Funding Accountability and Transparency Act (FFATA) form, self-assessment, and monitoring plan are completed. Further, mental health block grant planners will assess each new or amended contract for appropriate designation. OHA management plans to establish a single training for all staff to complete before developing a contract. This training will also include necessary messaging to all staff about terminology, location of resources, expectations as an administrator, and compliance/verification processes. OHA will provide this messaging and training through agency-wide emails, newsletters, and all staff meetings. OHA will continue refining its onboarding to incorporate these trainings and messaging. Additionally, the Office of Financial Services

reviews each contract to determine the correct coding for each contracted service/deliverable and accurate code, such in State Financial Management Accounting (SFMA) system.

Risk assessment survey has been developed that allows for self-assessment and documentation of the process. Administrators are requested to keep a copy of the assessment in their administrative file. Contract administrators create regularly scheduled meetings with the sub-awardee to monitor for compliance, depending on the risk of the sub-awardee. OHA-HSD has created a planning and implementation document to systematically identify the process of self-assessment and monitoring plan. In addition to the 11-module contract administration training required for all administrators. OHA plans to create an accessible folder for download to include the Contract Administration Plan (CAP), RACI Matrix, Monitoring, and closeout activities.

Once all of the resources are socialized throughout the Program and Leadership staff, controls are still necessary to get as close to 100% compliance by the administrators.

Controls that will be implemented are:

- *DocuSign CLM- During the automated workflow for approvals, administrators must verify that the determination document and, if applicable, the self-assessment and monitoring plan is attached. If not, the request will be rejected until the proper documentation is provided.*
- *Team audit- The program analyst will perform random audits of grant/contracts administrator folders to confirm documentation is complete for each grant/contract, including monitoring activities, reports, invoices, and grant compliance requirements.*

Anticipated Completion Date: September 1, 2024

2023-021 Oregon Health Authority

Implement controls to ensure earmarked expenditures are tracked and compliance achieved

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.958 Block Grants for Community Mental Health Services
Federal Award Numbers and Years:	93.958: 1B09SM083823, 2021; 1B09SM086032, 2022; 1B09SM087383, 2023
Compliance Requirement:	Matching, Level of Effort, Earmarking
Type of Finding:	Significant Deficiency
Prior Year Finding:	2022-044
Questioned Costs:	N/A

Criteria: 42 USC 300x-9(c)(1); 42 USC 300x-9(d)(1); 2 CFR 200.303

The Mental Health Block Grant (MHBG) is subject to various Earmarking requirements. These requirements ensure the department meets minimum expenditure thresholds. Federal regulations require recipients of federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The department is required to expend 10% of the MHBG federal award for early serious mental illness, including psychotic disorders. It is also required to expend 5% of the federal award for serious mental illnesses and children with serious mental and emotional disturbances. These set asides are calculated and budgeted when the federal awards are granted.

Based on testing performed, we concluded the department complied with all applicable Earmarking requirements during state fiscal year 2023. However, during the audit period, the department did not have controls in place to track applicable expenditures to ensure compliance was achieved. Upon inquiry, staff reported the department has now set up structure within the state accounting system, and going forward will track the expenditures.

The lack of controls in place to track earmarked expenditures increases the department's risk of noncompliance with federal program requirements. This was also reported in fiscal year 2022.

We recommend department management implement controls to ensure applicable expenditures are adequately tracked and reviewed for compliance with federal Earmarking requirements.

MANAGEMENT RESPONSE:

We agree with this recommendation.

As noted in the audit report, OHA has already taken corrective actions to ensure controls are in place for tracking applicable expenditures in SFMA to ensure compliance with federal Earmarking requirements. The Office of Financial Services, OHA Budget Unit, and block grant planners meet at least once a month to review budgeted earmarked requirements and expenditures to ensure compliance. Block grant planners meet at least once a month with the crisis team and children and family team to review required earmark budgets and expenditures.

Anticipated Completion Date: June 30, 2023

**2023-022 Oregon Department of Human Services/Oregon Health Authority
Ensure compliance with federal Medicaid hospital audit requirements**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.777 and 93.778 Medicaid Cluster
Federal Award Numbers and Years:	2205OR5MAP, 2022; 2205OR5ADM, 2022; 2305OR5MAP, 2023; 2305OR05ADM, 2023
Compliance Requirement:	Special Tests and Provisions – Inpatient Hospital and Long-Term Care Facility Audits
Type of Finding:	Significant Deficiency; Material Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 42 CFR 447.253(g); 2 CFR 303(a)

Federal regulations require management to establish and maintain effective internal control to ensure compliance with federal program requirements. As part of its system of internal control, federal regulations require the Oregon Health Authority (authority) to conduct periodic audits of the financial and statistical records of participating hospitals.

Inpatient hospitals are required to report actual costs to the authority who conducts audits of the reported costs. However, during state fiscal year 2023, the authority did not conduct any audits of the 61 hospitals that received Medicaid federal funds. The department had unexpected turnover during the audit period. New staff were hired to fill the vacancy; however, per management training and updating agency tools caused a delay in the completion of audits. As of March 2024, staff started sending out initial report for fiscal years 2021 and 2022 but no cost settlements have been completed. Additionally, the authority still has two outstanding settlements going back to fiscal year 2016.

By failing to complete required audits, the authority does not have assurance that participating hospitals use program funds properly, which could lead to inappropriate payments to the hospitals.

During the prior audit of state fiscal year 2021, the auditors reported a finding (2021-017) related to missing documentation supporting completed cost settlements. During state fiscal year 2023, the authority reported that corrective action had been taken to address the issue. However, we were unable to verify the status as no cost settlements were completed.

We recommend management ensure compliance with federal program requirements by prioritizing the completion and documentation of hospital audits.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The authority agrees with this finding and has completed the work to reconstitute the required tools necessary to perform these audits. As of January 2024, the authority has sent cost statements to the hospitals for review and response and is working to collect other reports required for completing the audits from actuaries and intermediaries. The authority will begin processing full audits starting April 2024 for outstanding Fiscal Year 2016 forward. The authority anticipates that the audits through Fiscal year 2020 will be completed by Dec. 31, 2024. The authority also affirms that the corrective action for finding 2021-17 has been implemented and resolved. This can be validated as completed audits become available in 2024.

Anticipated Completion Date: December 31, 2024

**2023-023 Oregon Department of Human Services/Oregon Health Authority
Improve documentation for provider eligibility determinations and revalidations**

Federal Awarding Agency: U.S. Department of Health and Human Services
Assistance Listing Number and Name: 93.777 and 93.778 Medicaid Cluster
Federal Award Numbers and Years: 2205OR5MAP, 2022; 2205OR5ADM, 2022;
2305OR5MAP, 2023; 2305OR05ADM, 2023
Compliance Requirement: Special Tests and Provisions – Provider Eligibility
Type of Finding: Material Weakness; Noncompliance
Prior Year Finding: 2022-057
Questioned Costs: \$3,629(known)

Criteria: 42 CFR 438.602; 8 CFR 274a.2; 42 CFR 431.107; 42 CFR 455.102 to 455.106; 42 CFR 455.412; 42 CFR 455.414; 42 CFR 455.436

Provider eligibility requirements for the Medicaid program differ depending on the type of services provided; however, all providers are subject to specified database checks and are required to sign an adherence to federal regulation agreement (agreement). Typically, the agreement includes disclosures specifically required by federal regulations. Additionally, the federal regulations require that the Oregon Health Authority (authority) and the Department of Human Services (department) redetermine eligibility for Medicaid providers at least every five years by performing revalidation activities as determined by provider type including but not limited to database and licensing checks to ensure providers are still eligible to participate in the Medicaid program.

We tested all 15 Coordinated Care Organizations (CCO) providers and selected a random sample of 62 non-CCO providers. The 15 CCO providers and 34 non-CCO providers were enrolled by the authority, and 28 non-CCO providers enrolled by the department.

For two CCO providers we noted the following issues:

- Ownership and Control disclosure for one authority CCO was incomplete. Based on our review of available support, we were able to determine this to be an eligible provider during the fiscal year. The authority has since obtained the missing support.
- Managing Employee disclosures for one authority CCO was incomplete. Based on our review of available support, we were able to determine this to be an eligible provider during the fiscal year.

For seven non-CCO providers we noted the following issues:

- Ownership and Control and Managing Employee disclosures for one authority provider was incomplete. Based on our review of available support we were able to determine these to be eligible providers.
- I-9 forms for two authority providers and one department provider were not complete. Based on our review of available support we were able to determine these to be eligible providers.
- I-9 form and Ownership and Control disclosure was incomplete for one department provider. Based on our review of other available support we were able to determine this to be an eligible provider during the fiscal year.
- I-9 form for one department provider could not be located. The department has since obtained a completed I-9 form.
- I-9 form, agreement, and disclosures for one department provider could not be located. Auditor was unable to determine eligibility for this provider resulting in federal questioned costs for the fiscal year totaling \$1,786.

Additionally, in prior year finding number 2022-057 we noted one department provider with an incomplete I-9 form. The department did not obtain an updated I-9 form during fiscal year 2023 resulting in federal questions costs for the fiscal year 2023 totaling \$1,843.

The above issues occurred due to human error and inadequate record maintenance which could lead to ineligible providers receiving Medicaid funding.

We recommend department and authority management strengthen controls over review to ensure documentation supporting a provider's eligibility determination and revalidation is complete. Additionally, we recommend the authority reimburse the federal agency for questioned costs related to ineligible providers including ineligible providers identified in prior year findings.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The authority will provide two separate training modules to enrollment staff and staff responsible for the CCO enrollment and validation regarding complete ownership and disclosure documents. We will perform the trainings on April 18, 2024, during our monthly staff meeting and a separate ownership form only training on May 30, 2024.

The Office of Developmental Disability Services has implemented new contractual language for our fiscal intermediary to review I-9 for providers with stricter criteria. This was added earlier this year and is already in place in the contract and implemented. Further, upon enrollment, state staff are validating older I-9s for providers who have submitted their I-9 historically.

The Office of Aging and People with Disabilities is committed to ensuring Provider Enrollment Agreements and accurate I-9 forms are on file and ensuring records are stored and retained properly for all Home Care Workers. The department will reinforce the requirements concerning the collection and storage of agreements at both the Quarterly Home Care Coordinators meeting on May 30, 2024, and at the AAA/APD Local Line Leadership meeting on May 16, 2024. The department will also create a reference guide in the new ODHS Field Business Procedure Manual implemented in February 2024. The department will make provider enrollment agreements and I-9 forms available statewide via DocuSign as an optional tool for state staff that guides them through accurately completing information on the form and capturing electronic signatures. This will ensure that all required fields in forms are filled out correctly including ensuring the presence of required documentation to mitigate human error.

Additionally, we will continue to explore developing a training module for front office staff and office managers as well as a peer review process on business procedures and exploring ways that we can leverage technology such as the replacement Electronic Data Management System (EDMS) "Laserfiche" implemented by Imaging and Records Management Services (IRMS) to store provider records electronically.

The questioned costs of \$1,786 will be refunded to CMS and reported on the CMS 64 by 6/30/2024. Of note, the prior year finding with questioned costs of \$1,843 has since been found as the provider being eligible. No corrective action is needed.

Anticipated Completion Date: August 30, 2024

2023-024 Oregon Department of Human Services/Oregon Health Authority
Strengthen review over direct costs charged to the program

Federal Awarding Agency: U.S. Department of Health and Human Services
Assistance Listing Number and Name: 93.777 and 93.778 Medicaid Cluster
Federal Award Numbers and Years: 2205OR5MAP, 2022; 2205OR5ADM, 2022;
2305OR5MAP, 2023; 2305OR05ADM, 2023
Compliance Requirement: Activities Allowed or Unallowed
Type of Finding: Significant Deficiency; Noncompliance
Prior Year Finding: N/A
Questioned Costs: \$3,849 (known)

Criteria: 2 CFR 200.1(1); 2 CFR 200.400(a); 42 CFR § 433.32(a)

Federal regulations only allow the Medicaid program to charge allowable and supported program expenditures for various program costs at the time of payment for services provided.

The Department of Human Services (department) and the Oregon Health Authority (authority) make payments to vendors other than providers through the state's accounting system. We judgmentally selected payments to 28 vendors for our review. We identified the following errors, which the department did not identify during their review process, that resulted in improper payment of Medicaid expenditures:

- For one payment, management was unable to provide documentation to support charges related to the Medicaid program, resulting in known federally funded questioned costs of \$2,153.
- For one payment the expenditure was not related to Medicaid services, resulting in known federally funded questioned costs of \$1,697.

The above issues occurred due to human error and inadequate record maintenance which could lead to unallowed activities/costs being charged to the Medicaid program.

We recommend department management strengthen controls over review to ensure transactions are adequately supported and reviewed. Additionally, we recommend the department reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The ODHS Office of Facilities Management coordinates care of a 168-building portfolio. Part of this work is coordination of furniture reconfiguration, minor and major remodels of office spaces and other building maintenance work. For these projects we rely on program staff with understanding of their funding sources to provide us with accurate coding to support the project related costs. Our office does not work directly with funding source management only coding and billing.

To better track who is providing us the coding and maintain a record of payment approval we have revised our workorder form to include who from the program is providing the coding and what authority they have to provide the coding. This will allow us to assure that important details are captured regarding funding application and coding for billing and protect from funds being drawn from sources that do not support and/or are not appropriate for a given project.

The questioned costs of \$3,849 were corrected and refunded to CMS using document BTCL1485 with a April 17, 2024 effective date. The refund will be reported on the Q3 FFY 2024 CMS 64 which will be submitted by June 30, 2024.

Anticipated Completion Date: June 30, 2024

2023-025 Department of Human Services
Obtain accurate information from the ONE application

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years:	2022G996115, 2022; 2023G996115, 2023
Compliance Requirements:	Matching, Level of Effort, Earmarking; Reporting; Special Tests and Provisions
Type of Finding:	Material Weakness, Material Noncompliance
Prior Year Finding:	2022-035, 2022-036, 2022-038, 2021-009, 2021-010
Questioned Costs:	N/A

Criteria: 45 CFR 265.3(b), 45 CFR 265.9; 45 CFR 261.1

Federal regulations require the department to collect monthly and report quarterly certain financial and non-financial data elements for services paid with Temporary Assistance for Needy Families (TANF) federal funding in the ACF-199 TANF data report. Federal regulations also require the department to report data quarterly for TANF eligible clients whose benefits are paid with designated state funds called maintenance of effort (MOE) in the ACF-209 SSP-MOE data report. Both data reports should be supported by applicable performance records.

During fiscal year 2021, the department transitioned key aspects of the TANF program to Oregon Eligibility (ONE) for case management, while TANF child welfare payments continued to be recorded in OR-Kids, the

child welfare system. The department contracts with a service provider to extract data from ONE and OR-Kids to populate the data reports. Program staff currently work with the service provider to obtain comprehensive data reports prior to submission to review them for errors and when found, each issue is logged as a defect for the service provider to correct.

The department and the U.S. Administration for Children and Families identified data reports submitted for state fiscal year 2023 were incorrect and the department was unable to provide corrected data during our audit. As the performance data reports are known to be incomplete and inaccurate, we are unable to test the reports for compliance with multiple program requirements. Specifically, we were unable to perform testing for

- Earmarking requirements to ensure less than 20% of clients have been enrolled in the program for over 60 months;
- Reporting requirements relating to the ACF 199R and ACF 209R reports on program performance;
- Special tests and provisions relating to client penalties for refusal to work;
- Special tests and provisions relating to lack of child care for single custodial parents of children under the age of six, and;
- Special tests and provisions relating to client penalties for failure to comply with work verification plans.

To date, the implementation of ONE has not resolved findings related to performance data reporting, which have been ongoing since fiscal year 2010. Though the department has yet to receive a Service Organization Control (SOC) report from the service organization administering ONE and compiling data reports, the department expects the report to be completed within the next year. Without an annual SOC report, the department does not have assurance controls are functioning as intended at the service organization for the TANF program.

We recommend department management continue to review ACF-199 and ACF-209 reports prior to submission and monitor known compilation defects to ensure performance data reports submitted are complete and accurate. **We also recommend** department management obtain an annual SOC report over the service organization's internal controls for the ONE application. **Additionally, we recommend** department management consider contractual and/or legal remedies if the contractor is unable to provide accurate and reliable information from the ONE system within a reasonable time frame necessary for the business needs of the department.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The department continues to monitor and review ACF-199 and ACF-209 reports prior to submission. Defects identified through the monitoring and review process are logged into TFS and follow the defect management process.

ONE/ODHS began SOC audit with an outside vendor at the end of 2023. The department is continuing to work through the items and anticipate completion with this audit by June 30, 2024. The department will share the findings once received if there are any. SOC audits will be done annually from here forward.

The Agency provided a cure notice to Deloitte Consulting as the vendor related to the reports in December 2022 and considered the actions cured and removed the notice in July 2023. Quarterly reports sent through the contract have been provided and accepted by ACF. Defect triaging continues to be worked

separately, and regular reports to verify changes, additional validations that were put into place, achieve expected quality in correct submission of data on behalf of Oregon from the ONE System.

Anticipated Completion Date: December 31, 2024

2023-026 Department of Human Services

Improve controls relating to client not cooperating with child support requirements

Federal Awarding Agency: U.S. Department of Health and Human Services
Assistance Listing Number and Name: 93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years: 2022G996115, 2022; 2023G996115, 2023
Compliance Requirements: Special Tests and Provisions
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: 2022-037
Questioned Costs: \$790 (known)

Criteria: 45 CFR 264.30-31

Federal regulations require the department to refer all appropriate individuals in the family of a child to the child support enforcement agency. If the department determines referred individuals are not cooperating, without good cause, in establishing, modifying, or enforcing a support order with respect to the child, then the department must reduce or deny assistance in the Temporary Assistance for Needy Families (TANF) program.

Due to control weaknesses in obtaining reliable information from the ONE application discussed in the finding titled "Obtain accurate information from the ONE application," we based our testing upon a population provided by the Oregon Department of Justice's Department of Child Support (DCS). We tested a random sample of 40 of 3,947 clients identified by DCS as non-cooperative with child support enforcement to determine if the department took appropriate action to get the client into compliance or decrease benefits as required by federal regulations. We found for three of the 40 clients, the department did not take timely action to move the client into compliance, did not identify good cause for the client to be exempted, and did not appropriately reduce benefits as required. For each of the three sample items, department staff did not follow established policies and requirements to reduce or suspend client benefits for non-cooperation.

For the three items identified, we calculated the known questioned costs of \$790 based upon the payments issued from the time DCS notified the department of the non-cooperation (with a one month grace period to allow the department reasonable time to take action) until the benefits were cancelled. We assumed good cause would not have been granted as we could not otherwise find evidence of good cause in the department documentation. Because the information came from DCS, rather than the ONE application, we do not have sufficient information available to reasonably project the questioned costs to the population.

We recommend management ensure department employees are adequately trained on applicable procedures and requirements relating to child support cooperation with DCS.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The department previously identified the need for more training and has been taking steps to address the issue. Based on feedback from staff, the Child Support Quick Reference Guide has been updated to make it more user friendly and easier to follow. Training on processing child support tasks has been provided

both statewide alongside Department of Child Support in November 2023 and with individual districts. In addition to materials and training, department policy is working reports of both outstanding child support tasks and tasks cleared without processing. The department continues to monitor the reports and provide follow up guidance to individual branches.

The department has developed a take time for training (TT4T) that was delivered to staff on May 4, 2022, which is now outdated. The current TT4T will be removed, a new one will be created, and delivered to staff within the next 120 days. The department will also consider adding this material to the regional accuracy and timeliness training during the summer of 2024. The Oregon Eligibility Partnership (OEP) -Learning and Engagement Team (LET) reviewed the eligibility guide and will be revising materials within the next 120 days. OEP will review and revise the current lesson plan delivered to staff within the next 90 days.

Anticipated Completion Date: September 30, 2024

2023-027 Department of Human Services
Improve controls to ensure eligibility criteria are met

Federal Awarding Agency: U.S. Department of Health and Human Services
Assistance Listing Number and Name: 93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years: 2022G996115, 2022; 2023G996115, 2023
Compliance Requirements: Eligibility; Special Tests and Provisions
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: 2022-039, 2022-040, 2021-011
Questioned Costs: \$3,491 (known), \$1,281,622 (likely)

Criteria: 45 CFR 264.10; 45 CFR 261.11

Federal regulations require each state to participate in the Income Eligibility and Verification System (IEVS), which for Oregon, includes using income and benefit screens accessible through Oregon Employment Department, Internal Revenue Service, and Social Security Administration, when making Temporary Assistance for Needy Families (TANF) eligibility determinations. The department’s current procedure instructs caseworkers to narrate “IEVS checked” in the case management system, Oregon Eligibility (ONE), after reviewing all appropriate IEVS screens at the time of eligibility determination. We tested 60 of 179,990 client benefit months during the year to determine if the clients met the applicable eligibility requirements and the department had performed appropriate data checks in accordance with federal requirements. We identified the following:

- For four clients, the department did not document completion of eligibility checks in the Income Eligibility and Verification System (IEVS) prior to issuing the payment. Although control deviations were identified, we did not identify questioned costs for these sample items.
- For one client, the department did not complete the required JOBS program enrollment application when the client entered the program. We question costs totaling \$3,491 as the amount of benefit payments issued from the initial TANF enrollment date through the date the JOBS screening was completed. The projected questioned costs total \$1,281,622.

The items above were the result of caseworker errors in completing required enrollment procedures.

We recommend department management ensure caseworkers are adequately trained on TANF enrollment procedures to ensure all applicable requirements are completed.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The department previously submitted a work item (WI) to have a question in ONE that asks 'yes/no' if IEVS has been checked. The WI was approved and deployed into the system on April 17, 2024. The IEVS question will trigger and be required for TANF at certification, re-certification, and adding a person. The Quick Reference Guide for staff will be updated to reflect the new system functionality. Communication regarding the new system functionality will be provided to staff.

The department previously submitted a change request (CR) to have the employability screening questions put into ONE as part of the TANF application/intake process. The CR has been approved and in final stages of design with the ONE system contractor, Deloitte. Once the WI is implemented into the system, the quick reference guide will be updated to reflect new system functionality. Communication regarding the new system functionality will be provided to staff.

Anticipated Completion Date: December 31, 2024

2023-028 Department of Human Services**Strengthen controls to ensure adequate supporting documentation and accuracy over reporting**

Federal Awarding Agency:	U.S. Department of Education
Assistance Listing Number and Name:	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
Federal Award Numbers and Years:	H126A220054, 2022; H126A230054, 2023
Compliance Requirement:	Reporting
Type of Finding:	Material Weakness; Material Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 29 USC 721(a)(10); 2 CFR 200.303

The department is required to submit quarterly performance and financial program reports. The Vocational Rehabilitation Case Service Report (RSA-911) is a quarterly report of client case information. State Vocational Rehabilitation (VR) agencies are required to maintain supporting documentation in an individual's case file, particularly regarding eligibility determinations, development of the Individualized Plan for Employment (IPE), services provided, and case closure. It is important to note that the use of an electronic case management system does not remove the requirement for the agency to maintain either hard copies or scanned copies of required supporting documentation in the individual's service record. An electronic case management system is merely a data entry process that is susceptible to data entry errors. The Vocational Rehabilitation Financial Report (RSA-17) is a quarterly report of cumulative VR financial data on an award by award basis. Federal regulations require financial reports include all activity of the reporting period and be supported by applicable accounting records.

We reviewed 15 out of 24,176 clients from the September 2022 RSA-911 report to ensure the information contained in selected fields agreed to supporting documentation. During our testing, we identified the following:

- Three clients receiving pre-employment transition services without documentation supporting the type of service provided.
- The date of application reported for two clients did not agree to supporting documentation.

- The date of eligibility determination for two clients did not agree to supporting documentation. Additionally, the department could not provide documentation to support the date of eligibility determination for a third client.
- The department could not provide documentation for three clients to support the start date of employment in primary occupation.
- The department could not provide documentation for five clients to support the hourly wage at exit.

In fiscal year 2023, eight RSA-17 reports were submitted for fiscal year 2023; two were selected for review. During our testing, we identified one report did not provide the appropriate federal share of allowable expenditures, overstating the line item by \$2,859,149.

Without maintaining supporting documentation that substantiates the accuracy of the case information reported, the agency may not be reporting accurate information to the federal awarding agency and is unable to demonstrate its compliance with the reporting requirements. Data collected through the RSA-911 and RSA-17 reports are used by the Federal government to evaluate and monitor the financial and programmatic performance of the VR program. As such, it is important that the data be accurately collected and reported.

We recommend department management strengthen internal controls to ensure adequate supporting documentation is maintained to support information reported in the RSA-911 client case information report. **We also recommend** department management strengthen internal controls to ensure the reviews of the RSA-17 financial report are documented and the report contains accurate information.

MANAGEMENT RESPONSE:

We agree with the first recommendation. We disagree with the second recommendation.

We agree with the first recommendation and will ensure adequate supporting documentation is maintained and readily available to support information reported in the RSA-911. We disagree with the second recommendation. The RSA-17 is currently reviewed by both Program Leadership as well as the ODHS Grant Accounting Manager. Certification is evidenced by the signed RSA-17. This level of review meets federal requirements. Additional review and discussion may be had as a form of best practice but should not be considered a control mechanism. The Grant Accounting Unit will highlight the certification process in the RSA-17 desk manual to delineate between control functions and best practices.

Anticipated Completion Date: June 30, 2024

2023-029 Department of Human Services
Strengthen controls over program expenditures

Federal Awarding Agency: U.S. Department of Education
Assistance Listing Number and Name: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
Federal Award Numbers and Years: H126A220054, 2022; H126A230054, 2023
Compliance Requirement(s): Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Material Weakness; Noncompliance
Prior Year Finding: N/A
Questioned Costs: \$149 (known); \$871,943 (likely)

Criteria: 29 USC 723(a); 29 USC 702(b); OAM 10.15.00.po

The Vocational Rehabilitation (VR) program provides services to clients to assist in preparing for, securing, retaining, or regaining employment. VR funds may be used to carry out the purpose of the program, pay personnel, and administer the VR program. All transactions paid for with VR funds must be supported by appropriate documentation.

We selected a random sample of 21 out of 14,436 expenditures, representing payments made for client services and payments to administer the program, and identified the following:

- Three transactions where the department was unable to provide supporting documentation, resulting in \$139 of actual questioned cost.
- One transaction where the department was unable to provide documentation showing the transaction was approved.
- One transaction where the expenditure exceeded the actual cost of the client service, resulting in \$10 of actual questioned cost.

These transactions resulted in \$149 of actual questioned costs and when projected to the population resulted in \$871,943 of likely questioned costs.

We recommend department management strengthen internal controls to ensure supporting documentation is maintained, reviews are documented, and transactions agree to supporting documentation.

MANAGEMENT RESPONSE:

We agree with this recommendation.

Questioned costs consist of facility payments totaling \$139 and a separate payment which exceeded costs of client services by \$10. The agency agrees with the finding and will refund those questioned costs. The agency will review the specific circumstances for each of the invoices paid to ensure staff receive the appropriate training as well as reiterate the need to review invoices carefully according to current policies and practices to avoid coding errors.

Anticipated Completion Date: June 30, 2024

2023-030 Department of Human Services
Strengthen controls over payroll expenditures

Federal Awarding Agency: U.S. Department of Education
Assistance Listing Number and Name: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
Federal Award Numbers and Years: H126A220054, 2022; H126A230054, 2023
Compliance Requirement(s): Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Significant Deficiency; Noncompliance
Prior Year Finding: N/A
Questioned Costs: \$3,521 (known)

Criteria: 29 USC 723(a); 29 USC 702(b)

The Vocational Rehabilitation (VR) program provides services to clients to assist in preparing for, securing, retaining, or regaining employment. Accordingly, funds may be used to carry out the purpose of the program, pay personnel, and administer the VR program.

From a population of 2,368 monthly payroll costs, we selected a random sample of 21 to verify monthly time was approved by management and employees directly work on the VR award. Of those 21 costs, we identified one paid with VR funds but was a board member for a program other than VR. We expanded our review to include all board members paid with VR funds, and identified a total of two board members who were charging time to VR inappropriately, resulting in total actual questioned cost of \$3,521. The board members' time was coded incorrectly and a separate monthly review of employees charging time to the VR program failed to identify these board members were inappropriately paid with VR funds.

We recommend department management implement and document additional internal controls to ensure only VR employees are paid with VR funding.

MANAGEMENT RESPONSE:

We disagree with this finding.

This finding pertained to two State Independent Living Council (SILC) board members paid with VR Innovation & Expansion funding. Upon review of the Rehabilitation Act and 34 CFR 361.35 section (a) part (2), funding may be used "To support the funding of the State Rehabilitation Council, if the State has a Council, consistent with the resource plan identified in § 361.17(i) " The SILC State Plan cover 2021-2023 references Innovation and Expansion funding on pages 5 and 6. Based on the department's review we believe the VR funding used is appropriate and that no further corrective action is required.

Anticipated Completion Date: N/A

2023-031 Oregon Commission for the Blind
Improve controls over compliance reporting

Federal Awarding Agency: U.S. Department of Education
Assistance Listing Number and Name: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
Federal Award Numbers and Years: H126A220055, 2022; H126A230055, 2023
Compliance Requirement(s): Reporting
Type of Finding: Significant Deficiency; Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 29 USC 721(a)(10)

The Vocational Rehabilitation Case Service Report (RSA-911) is a quarterly report of client case information. State VR agencies are required to maintain supporting documentation in an individual's case file, particularly regarding eligibility determinations, development of the Individualized Plan for Employment (IPE), services provided, and case closure. It is important to note that the use of an electronic case management system does not remove the requirement for the commission to maintain either hard copies or scanned copies of required supporting documentation in the individual's service record. An electronic case management system is merely a data entry process that is susceptible to data entry errors.

We reviewed five clients out of 737 from the September 2022 report to ensure the information contained in selected fields agreed to supporting documentation. Testing results identified two clients where the commission could not provide documentation to support the start date of employment in the primary occupation and the hourly wage at exit as reported and contained in the case management system.

Without maintaining supporting documentation of the case information reported, the commission may not be reporting accurate information to the federal awarding agency and is unable to demonstrate its compliance with the reporting requirements.

We recommend commission management strengthen internal controls to ensure the RSA-911 client case information report contains accurate information and is supported.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The agency is committed to ensuring the RSA-911 client case information report is accurate and well supported. The agency's practice is to maintain documentation that supports information contained in the case management system. This practice includes requesting information from clients regarding the start date of employment in the primary occupation and the hourly wage at exit. This information can be difficult to locate due to the numerous case notes in the case management system.

Due to the difficulty locating this documentation in the tight timelines of the audit, the agency spent some additional time attempting to locate it after the audit testing period had closed. The agency did find the supporting documentation for one of the two clients that was not located during the audit. For the other client, the agency identified documentation showing that we had requested this information from the client through multiple methods, but it was never received.

The agency has created a new case-note category for documenting client employment start date and wages at exit. The agency will provide training to staff on the use of this case note category to ensure this

documentation is able to be located more easily and to reinforce the importance of maintaining documentation to support information contained in the case management system.

Anticipated Completion Date: August 1, 2024

2023-032 Oregon Commission for the Blind

Seek clarification from federal awarding agency on appropriateness of legal fees

Federal Awarding Agency: U.S. Department of Education
Assistance Listing Number and Name: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
Federal Award Numbers and Years: H126A220055, 2022; H126A230055, 2023
Compliance Requirement(s): Activities Allowed or Unallowed;
Allowable Costs/Cost Principles
Type of Finding: Noncompliance
Prior Year Finding: N/A
Questioned Costs: \$10,289 (known)

Criteria: 29 USC 702(b); 29 USC 723(a)

The Vocational Rehabilitation (VR) program provides services to clients to assist in preparing for, securing, retaining, or regaining employment. VR funds may be used to carry out the purpose of the program, pay personnel, and administer the VR program.

During our review, we noted VR funds were being used to pay for legal fees. The use of federal funds to pay for legal fees is allowable in specific situations. Due to attorney client privilege, we were unable to obtain sufficient, appropriate audit evidence to determine if the use of VR funds to pay for these legal fees is appropriate. As a result, we are questioning \$10,289 in expenditures related to the payment of legal fees.

We recommend commission management request clarification from the federal awarding agency regarding the appropriateness of using VR funds for legal fees.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The agency believes it is allowable to use VR funds for legal fees based upon the guidance provided by 2 CFR § 200.459, which allows for professional service costs. The agency has previously asked for clarification regarding this issue from the Rehabilitation Services Administration, and we are awaiting their response. We will contact them again requesting clarification.

The completion date for this finding is dependent upon receipt of clarification and guidance from the Rehabilitation Services Administration.

Anticipated Completion Date: December 31, 2024

2023-033 Oregon Department of Emergency Management
Implement controls over FFATA reporting

Federal Awarding Agency:	U.S. Department of Homeland Security
Assistance Listing Number and Name:	97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) (COVID-19)
Federal Award Numbers and Years:	FEMA-4258-DR-OR, 2016; FEMA-4296-DR-OR, 2017; FEMA-4328-DR-OR, 2017; FEMA-4432-DR-OR, 2019; FEMA-4452-DR-OR, 2019; FEMA-4519-DR-OR, 2020; FEMA-4562-DR-OR, 2020; FEMA-4599-DR-OR, 2021; FEMA-4499-DR-OR, 2020 (COVID-19)
Compliance Requirement:	Reporting
Type of Finding:	Material Weakness; Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.303(a), (c)-(d); 2 CFR 170, Appendix A I(a)

The Federal Funding Accountability and Transparency Act (FFATA) requires the department to submit information for any subaward action that equals or exceeds \$30,000 in the FFATA Subaward Reporting System (FSRS). Reports should be submitted no later than the end of the month following the month in which the subawards were made. Federal regulations also require recipients of federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Department management stated there were no established internal controls over FFATA reporting that would ensure accurate, complete, and timely submission or tracking of subrecipient data. As a result, we were unable to perform tests of controls. We judgmentally selected five of the 678 subawards identified by ODEM as meeting the threshold for FFATA reporting in fiscal year 2023 for compliance review. The department indicated that none of the five selections had been reported as required; however, auditors independently verified on USAspending.gov that one of the subawards had been submitted.

Department management stated that noncompliance with FFATA reporting requirements during the fiscal year was due to multiple factors, including a departmental restructuring, lack of established controls and procedures for identifying, reporting, and tracking the status of projects meeting the reporting threshold; turnover of key personnel; and inadequate training of the compliance requirements for staff.

There is a risk the federal awarding agency could withhold grant funding if the department is not compliant with reporting requirements.

We recommend department management implement controls to ensure all subawards are appropriately tracked and reported. The department should also work with the federal awarding agency to determine what actions it should take for older reports not submitted.

MANAGEMENT RESPONSE:

We agree with this recommendation.

ODEM has undertaken the following corrective actions to address the recommendations made by the Secretary of State's Audits Division:

- a. ODEM has developed procedures for capturing necessary information and ensuring FFATA reports are filed in compliance with federal criteria.
- b. ODEM has identified all awards since July 1st 2023 and is working to ensure 100% compliance from that date forward.
- c. ODEM will continue to review older awards to determine what actions should be taken.

Anticipated Completion Date: December 30, 2024.

2023-034 Oregon Department of Emergency Management

Fully implement subrecipient risk assessments

Federal Awarding Agency:	U.S. Department of Homeland Security
Assistance Listing Number and Name:	97.036 Disaster Grants – Public Assistance (Presidentially Declared) 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) (COVID-19)
Federal Award Numbers and Years:	FEMA-4258-DR-OR, 2016; FEMA-4296-DR-OR, 2017; FEMA-4328-DR-OR, 2017; FEMA-4432-DR-OR, 2019; FEMA-4452-DR-OR, 2019; FEMA-4519-DR-OR, 2020; FEMA-4562-DR-OR, 2020; FEMA-4599-DR-OR, 2021 FEMA-4499-DR-OR, 2020 (COVID-19)
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2020-033
Questioned Costs:	N/A

Criteria: Criteria: 2 CFR 200.332(b)

Federal regulations stipulate that pass-through entities evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining appropriate subrecipient monitoring. Monitoring activities should be completed based on the results of the subrecipient's determined risk.

In fiscal year 2020, we noted the department did not have systematic policies and procedures in place to adequately evaluate subrecipients' risk for noncompliance with federal subrecipient monitoring requirements. In response, the department developed a subrecipient risk assessment policy and procedures, which included risk assessment questionnaires, a scoring matrix, and a tracking mechanism to track distribution and receipt of the questionnaires as well as the subrecipients' overall risk level.

We selected a random sample of 36 subrecipients who had received a payment during the fiscal year and reviewed the department's February 2024 tracking spreadsheet. Four of the subrecipients had not returned the questionnaire or been evaluated for risk of noncompliance using other available information. One of the four was not listed as a subrecipient on the tracking spreadsheet.

Management indicated that due to agency restructuring and the significant turnover of key management and staff during that period, full implementation of the subrecipient risk assessment procedures was still in process.

Risk assessments help guide the agency in determining the appropriate level of monitoring for each subrecipient and the nature and extent of procedures to be applied. Without this guidance, the department may not provide an adequate level of monitoring.

We recommend department management fully develop and implement its policies and procedures to ensure risk assessments are performed and documented for each subrecipient.

MANAGEMENT RESPONSE:

We agree with this recommendation.

ODEM will undertake the following corrective actions to address the recommendations made by the Secretary of State's Audits Division:

- a. ODEM will continue to develop the risk assessment policy and procedures, including monitoring controls to identify and follow-up with subrecipients that have not completed a risk assessment.*
- b. ODEM will develop an agency wide subrecipient monitoring policy in accordance with 2 CFR 200. This policy will include discussion on how ODEM prioritizes subrecipient monitoring based on the results of the risk assessment.*

Anticipated Completion Date: December 31, 2024

2023-035 Department of Early Learning and Care

Use restricted indirect cost rate when required

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.575, 93.596 Child Care and Development Fund Cluster 93.575, 93.596 Child Care and Development Fund Cluster (COVID-19)
Federal Award Numbers and Years:	2001ORCCC3, 2019 (COVID-19); 2001ORCCDD, 2020; 2101ORCCC5, 2021 (COVID-19); 2101ORCCDD, 2021; 2101ORCDC6, 2021 (COVID-19); 90YE020004, 2021; 2101ORCSC6, 2021 (COVID-19); 2201ORCCDD, 2022; 2301ORCCDD, 2023
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$400,369 (known)

Criteria: 45 CFR 98.57; 34 CFR 75.563

During fiscal year 2023, the Child Care and Development (CCDF) program was with the Early Learning Division within the Oregon Department of Education (ODE). Effective July 1, 2023, the Department of Early Learning and Care (department) was created and administers the CCDF program.

ODE's indirect rate agreement approved by the U.S. Department of Education was effective during fiscal year 2023. This rate agreement includes two different rates to be used, an unrestricted rate if there is not a supplement restriction and a lower restricted rate if there is.

In our review of the indirect rates used by ODE, we identified that ODE only entered the unrestricted rate into their system, while the terms and conditions for the CARES, CRRSA, ARP and Discretionary CCDF awards identified a supplement not supplant restriction. This resulted in ODE requesting reimbursement

for the indirect expenditures at a higher rate. As a result of this, ODE incorrectly claimed an additional \$400,369 in indirect cost reimbursement.

We recommend department management ensure the appropriate indirect cost rate is used in fiscal year 2024. We also recommend the department work with ODE to determine if there are any additional questioned costs from prior fiscal years and work with the federal awarding agency to reimburse the federal agency for any unallowable costs.

MANAGEMENT RESPONSE:

We agree with this recommendation.

DELIC concurs with these findings; however, the findings are related to the indirect rate charged while the Early Learning Division was part of the Oregon Department of Education. DELIC will continue to work with the Oregon Department of Education to determine if any other indirect costs were incorrectly charged and will help make appropriate corrections to ensure federal grants were not overcharged. We will create processes and procedures to ensure expenditures are allowable before a federal draw is completed and that the correct indirect rate is charged.

Anticipated Completion Date: December 31, 2024

2023-036 Department of Early Learning and Care
Improve controls over family copay and child care hour calculations

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.575, 93.596 Child Care and Development Fund Cluster 93.575, 93.596 Child Care and Development Fund Cluster (COVID-19)
Federal Award Numbers and Years:	2001ORCCC3, 2019 (COVID-19); 2101ORCCDD, 2021; 2101ORCCC5, 2021 (COVID-19); 2101ORCCDM, 2021; 2101ORCDC6, 2021 (COVID-19); 2201ORCCDD, 2022; 2201ORCCDF, 2022; 2201ORCCDM, 2022
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2020-025
Questioned Costs:	\$6,310 (known); \$18,291 (likely)

Criteria: 45 CFR 98.45(b)(5); 42 USC 9858

The Child Care and 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). The monthly copay is included on the provider's monthly bill form provided by the department. If a family has more than one child care provider, one is designated the primary provider based on amount of care provided and receives the copay from the family. The authorized monthly child care hours are calculated based on parent work schedules, commute time, and other factors.

The department relies on the ONE eligibility system to verify eligibility, calculate child care hours and monthly copay based on information entered into the system. Payments to providers are based on the

returned and completed billing forms. The department allows providers to submit for reimbursement any time during the month.

We tested a random sample of 50 families for client eligibility and verification of one monthly benefit payment to the child care provider. As part of the provider payment, we verified the accuracy of the monthly copay and the authorized child care hours. If errors in copay or provider payments were identified, we reviewed additional months to capture all known questioned costs. We identified errors in 13 of 50 sample items resulting in the following errors:

- For one case we identified \$5,700 in known questioned costs. The client changed child care providers in August 2022. The new provider's billing form had prorated authorized hours and was correct. The prior provider submitted and was paid for full authorized hours for all children early in August prior to client's notification. The client changed child care providers again in January 2023 but did not notify the department until late March 2023. The new provider's billing forms were appropriate. However, the prior provider billed for full time child care in January, February and March. The department should have identified these overpayments when setting up the new child care provider.
- Six cases where copay was calculated incorrectly. Four cases were due to human error when entering income in the ONE system. In two cases, the ONE system correctly calculated the copay but the final amount was increased or reduced for reasons unknown. These errors resulted in known questioned costs of \$575.
- One case where the copay was calculated correctly. However, the client had multiple child care providers and the \$5 copay was not attached to the billing form for the providers reimbursed for October 2022 through April 2023 resulting in known questioned costs of \$35.
- Seven cases in which the authorized child care hours were calculated incorrectly. Errors did not cause any incorrect provider payments. In two cases, it appears the ONE system calculated correctly but the arithmetic is incorrect in final authorized hours. The department could not explain how the final hours were determined. In two cases, when the client end/start of jobs occurred in the same month, the ONE system incorrectly includes hours from the old job in the calculation resulting in authorized hours being too high. The other three cases were caused by human entry errors.
- One case where the department was unable to locate either a signed paper application signature or a phone signature.

Human entry errors and system errors can lead to errors in determining eligibility and the accuracy of the monthly copay and the authorized child care hours. These errors may lead to improper payments to child care provider by the program.

We recommend department management ensure a client's monthly copay and child care hours are correctly calculated and identify any potential system issues. In addition, when a change in provider occurs, the department should verify the accuracy of payments to the prior provider. We also recommend department management reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE:

We partially agree with this recommendation.

DELC does not concur with the finding regarding a case with the copay amount not reflected in reimbursement between multiple providers.

DELIC sends out billing forms in advance of the month and providers are allowed to bill for anticipated hours of attendance. We do not require that the primary provider bill, nor can we retroactively reduce the secondary providers payment amount by the copay amount if the primary provider does not bill. DELIC has the following language in our ruleset (5b) reflected below, which allows the copay to be zero if the provider to whom the copay is designated does not submit a billing for the month.

414-175-0051

Requirement to Make Copay or Satisfactory Arrangements

- 1) The Need Group must use a child care provider who meets the requirements in OAR 414-175-0080 and 414-175-0085.
- 2) The caretaker is responsible for paying the copayment to the primary provider of child care unless the Child Care Billing form was sent to the provider showing no copayment.
- 3) If the caretaker has only one provider during a month, that provider is the primary provider. If the caretaker uses more than one provider, the caretaker must designate one as the primary provider. Notwithstanding any designation by the caretaker, the Department considers a provider having the copayment amount (not to exceed the caretaker's established copayment amount) deducted from its valid billing statement the primary provider for that period.
- 4) If the copayment exceeds the amount billed by the primary provider, the Department may treat a different provider as the primary provider or split the copayment among the providers who bill for care.
- 5) The copayment amount due from the caretaker to the provider is the lesser of:
 - a. The copayment amount determined by the Department based on family size and income.
 - b. The total amount allowed by the Department on a provider claim.

DELIC does not concur with the finding regarding the overpayment for the months of January, February, and March when the parent changed providers. An overpayment referral was made to the Overpayment Writing Unit in the Oregon Department of Human Services when the new provider was set up. The provider in question did submit billing forms for payment for January, February, and March 2024. When the parent called in late March to end the previous provider, she gave the end date of 1/16/23. The provider was allowed to bill for absent days for the rest of January and the full month of February as absent days. The provider was unable to bill for March since it doesn't fall within OAR 414-175-0075 and is considered abandonment of care. DPU made an overpayment referral to the Overpayment Writing Unit when the new provider was set up. The provider was written up for an overpayment for March in the amount of \$1,395.00.

DELIC concurs with all other findings in this area.

DELIC agrees with stated recommendations and will take the following corrective action steps:

- The Child Care Assistance Program team will develop a training partially focused on error trends found in this report to educate staff on findings and preventative measures.
- The Child Care Assistance Program team will provide case finding information to OPAR for recoupment purposes.
- DELIC will reimburse the federal agency for unallowable costs.

Anticipated Completion Date: December 31, 2024

Improve controls over payroll

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.575, 93.596 Child Care and Development Fund Cluster 93.575, 93.596 Child Care and Development Fund Cluster (COVID-19)
Federal Award Numbers and Years:	2001ORCCC3, 2019 (COVID-19); 2001ORCCDD, 2020; 2101ORCSC6, 2021 (COVID-19); 2101ORCCDD, 2021; 90YE020004, 2021; 2201ORCCDD, 2022; 2201ORCCDF, 2022; 2301ORCCDD, 2023; 2301ORCCDF, 2023; 2301ORCCDM, 2023
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2020-029
Questioned Costs:	\$297 (known); \$18,975 (likely)

Criteria: 45 CFR 75.403(a); 45 CFR 75.430(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, provided they are reasonable for the services rendered and are supported.

The department has implemented the following procedures to ensure allowable payroll costs are charged to the program. Managers approve monthly timesheets submitted by employees in the state's payroll system. The department sets cost centers in the payroll system based on position.

The State switched to a new payroll system, effective December 2022. With this change, managers no longer review cost center codes when reviewing an employee's timesheet. Additionally, if a manager has not reviewed a timesheet by a specified date, the payroll system will automatically approve the timesheet, shown with the words "mass approval."

We tested a random sample of 25 employees and judgmentally selected 2 employees to ensure payroll for a month was appropriately charged to the program. We verified whether payroll timesheets were reviewed by a manager and signed position descriptions were retained per state guidelines, and identified the following exceptions:

- Position descriptions could not be located for two employees. Both of these employees were terminated and the position descriptions were not retained after they left employment.
- Four timesheets, under the new payroll system, were not fully approved by a manager and contained instances of "mass approval" with no other verification that the manager reviewed and approved the employees time for the month.
- For two employees, the new payroll system incorrectly charged minimal time to the federal program resulting in questioned costs of \$297. The employees' regular pay was not charged to the program. This occurred as the cost code was not set up and the system defaulted to a previously used cost code.

We recommend department management improve its review of timesheets and ensure position descriptions are retained. We also recommend department management develop a report to identify when

payroll system incorrectly charges time to a federal program. Finally, we recommend department management reimburse the federal agency for any unallowable costs.

MANAGEMENT RESPONSE:

We agree with this recommendation.

DELC concurs with the findings with the following clarification: position descriptions are typically retained for employees even after they leave employment. However, for the two employees referenced, we were unable to locate their position descriptions. DELC agrees with the stated recommendations and will take the following corrective action steps:

- *Human Resources will audit all DELC employee records to ensure that positions descriptions are signed, and in the employee's Workday personnel file.*
- *Human Resources will reiterate expectations to managers to ensure that timesheets are reviewed and approved by managers before the deadline each month.*
- *Budget will monitor payroll charges to identify when time has been incorrectly charged.*
- *DELC will reimburse the federal agency for the known unallowable costs.*

The anticipated completion date for having signed position descriptions for all DELC employees is December 31, 2024. The agency has already messaged to managers the expectations and importance of reviewing and approving employees time before the deadline each month and will continue to do so monthly prior to each deadline.

Anticipated Completion Date: December 31, 2024

2023-038 Department of Early Learning and Care
Retain support and improve controls over reporting

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.575, 93.596 Child Care and Development Fund Cluster 93.575, 93.596 Child Care and Development Fund Cluster (COVID-19)
Federal Award Numbers and Years:	2001ORCCC3, 2019 (COVID-19); 2001ORCCDD, 2020; 2001ORCCDF, 2020; 2101ORCCC5, 2021 (COVID-19); 2101ORCDC6, 2021 (COVID-19); 2101ORCCDD, 2021; 2101ORCSC6, 2021 (COVID-19); 2101ORCCDF, 2021; 2101ORCCDM, 2021; 90YE020004, 2021; 2201ORCCDD, 2022; 2201ORCCDF, 2022; 2201ORCCDM, 2022; 2301ORCCDD, 2023; 2301ORCCDF, 2023; 2301ORCCDM, 2023
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 is required to submit quarterly ACF 696 reports for each open grant. To ensure the accuracy and completeness of these two reports, the department's control process requires a review of reports prior to submission.

We reviewed three of 12 ACF 696 reports submitted during fiscal year 2023. For all three reports, the department was initially unable to provide the support for the Department of Revenue (DOR) Working Family/Child Care Tax Credits used to help meet the matching and maintenance of effort requirements. The department could not locate the support used to prepare the reports for the DOR tax credits and needed to have DOR provide documentation. Additionally, one of the reports had matching fields that were left blank when the report was submitted even though expenditures were incurred and should have been reported.

The department does not have detailed procedures around the use of the tax credits in preparation of the reports and sources of information used in the preparation. Additionally, the review process did not identify the blank fields or missing documentation.

These reports provide the federal awarding agency with key information related to the program and errors in reports could alter the amount of funding received by the department in future years.

We recommend department management further develop its procedures for claiming the tax credit in the ACF-696 reports. We also recommend the department ensure documentation is maintained with the reports in future years.

MANAGEMENT RESPONSE:

We agree with this recommendation.

DELC will work with the Department of Revenue to substantiate the amount of tax credits used in prior years to meet federal matching and maintenance of effort requirements for FY 20 to FY 22 and ensure this information is retained appropriately outside beyond just email records. In addition, DELC will update processes and procedures to ensure that tax credit amounts used in future reports are properly documented and substantiated by the Department of Revenue.

Anticipated Completion Date: October 31, 2024

2023-039 Oregon Health Authority

Ensure program payroll costs are incurred only for program staff

Federal Awarding Agency:	U.S. Department of Agriculture
Assistance Listing Number and Name:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Federal Award Numbers and Years:	237OROR7W1003, 2023; 237OROR7W1006, 2023
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$18,002 (known)

Criteria: 2 CFR 200.413(b)

Federal regulations permit costs charged directly to a Federal award, such as compensation of employees who work on that award and their related fringe benefit costs. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) management is responsible for ensuring employees with payroll related costs charged directly to the Federal award are employees who work on that award.

From a population of 550 monthly payroll costs for 57 employees, we randomly selected a sample of 25 to verify monthly time was approved by management and employees directly work on the WIC award. We

found one employee who should not have recorded payroll costs to the WIC program, as the employee was on a job rotation outside the program. The employee's time was properly approved, but the review did not identify the costs were charged to program. We reviewed all payroll related costs for the employee and identified questioned costs of \$7,970 for fiscal year 2023. We expanded our review and identified two additional employees who were charging their time to the WIC program inappropriately, resulting in total actual questioned costs of \$18,002.

We recommend program management implement additional internal controls over payroll related costs to ensure all costs charged to the program are related to employees who work directly on the award.

MANAGEMENT RESPONSE:

We agree with this recommendation.

WIC Leadership is dedicated to reviewing and integrating existing reports into their time review process and will also ensure that staff responsible for employee time approval have been adequately trained on how to use those reports and features in Workday to review time. Questioned costs will be refunded.

Anticipated Completion Date: September 30, 2024

2023-040 Oregon Department of Education
State did not meet maintenance of effort requirement

Federal Awarding Agency:	U.S. Department of Education
Assistance Listing Number and Name:	84.425U Education Stabilization Fund (COVID-19)
Federal Award Numbers and Years:	S425U210049, 2021 (COVID-19)
Compliance Requirement:	Matching, Level of Effort, Earmarking
Type of Finding:	Material Weakness; Noncompliance
Prior Year Finding:	2022-065
Questioned Costs:	N/A

Criteria: Section 2004(a)(1) of the American Rescue Plan (ARP) ACT; 2 CFR 200.303

The ARP ACT require the State to maintain support for both elementary and secondary education and for higher education in fiscal year 2023 at least at the proportional level of the state's support for elementary and secondary education and for higher education relative to the state's overall spending, averaged over fiscal years 2017, 2018 and 2019.

The Department of Education (department) did not meet the maintenance of effort provisions for fiscal year 2023 for elementary and secondary education. Although the state's overall funding increased for education, its proportional level relative to Oregon's overall spending declined. The department is reliant on the legislative budget process. On July 31, 2023, the federal agency approved the State's request for a waiver for maintenance of effort for fiscal year 2022 but did not approve waiver request for fiscal year 2023. The department submitted a new waiver request to the U.S. Department of Education dated March 14, 2024.

According to department management, budget changes and obtaining a clearer understanding of the State's Other Fund amount delayed the calculation for maintenance of effort.

The total federal expenditures for the Education Stabilization Fund program for the fiscal year ended June 30, 2023 were \$407 million. If the waiver is not approved, the department may be asked to return some of the funds.

We recommend department management continue to actively track whether it will meet the maintenance of effort requirement and communicate with the federal awarding agency.

MANAGEMENT RESPONSE:

We agree with this recommendation.

The Department of Education agrees with this finding; however, context is critical to understand this requirement. The Maintenance of Effort (MOE) requirements in The ARP ESSER III legislation are unique. The purpose of the requirement is to ensure that states are not using the federal pandemic funds to replace state funding and then leaving districts with a more substantial “fiscal cliff” when the pandemic funds recede. ODE administers state funding to Oregon districts, but the levels and formulas governing the distribution of the total state funds are determined by the Oregon Legislature and not ODE. While the non-compliance finding implies that Oregon reduced education funding, that is not true. Education funding in Oregon did increase annually, yet not as much as other non-education funding priorities. The United States Department of Education (USDE) formula required to evaluate MOE does not adequately reflect the investment in public education in Oregon, nor does it acknowledge the complexities of Oregon’s state budget or school funding formulas.

ODE worked closely with USDE staff monitoring MOE compliance and submitted a request to USED for an MOE waiver on March 14, 2024. We are awaiting a decision from USDE. A response is anticipated by June 2024.

Anticipated Completion Date: June 30, 2024

**2023-041 Oregon Department of Education
Improve FFATA reporting controls**

Federal Awarding Agency:	U.S. Department of Education
Assistance Listing Number and Name:	84.425C, 84.425D, 84.425R, 84.425U 84.425V & 84.425W Education Stabilization Fund (COVID-19)
Federal Award Numbers and Years:	S425C200048, 2020 (COVID-19); S425C210048, 2021 (COVID-19); S425D200049, 2020 (COVID-19); S425D210049, 2021 (COVID-19); S425R210047, 2021 (COVID-19); S425U210049, 2021 (COVID-19); S425V210047, 2021 (COVID-19); S425W210038, 2021 (COVID-19)
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2021-025
Questioned Costs:	N/A

Criteria: 2 CFR 170; 2 CFR 200.303

The Education Stabilization Fund programs are subject to subaward reporting under the Federal Funding Accountability and Transparency Act (FFATA). Federal regulations require recipients of federal awards to report certain subaward information in the FFATA Subaward Reporting System (FSRS) for subawards meeting the criteria for reporting. must be submitted no later than the end of the month following the month in which the obligation was made. Federal regulations also require recipients of federal awards establish

and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The department maintains written procedures that document the steps for completing the monthly FFATA reporting. Our audit procedures included the testing of 45 Education Stabilization Fund subawards/subaward modifications totaling \$6.3 million in obligations. During our testing we noted the following:

- For nine subawards obligated in January 2023 totaling more than \$1.8 million were not reported in the FFATA system until May 2023. According to the department, the query tool did not pull in all the information.
- For one subaward modification, the sub awardee name is incorrect. According to the department, the unique entity identifier information was incorrect for the sub awardee and therefore incorrectly reported in the FFATA report.
- For one subaward modification, the amount of the subaward is incorrect. The FFATA shows zero while the obligation is \$143,286. According to the department, the data was not filtered correctly when pulling the information for the FFATA report.

We recommend department management implement controls to ensure the monthly FFATA reports are independently reviewed to ensure accurate and complete reporting of required subaward information.

MANAGEMENT RESPONSE:

We agree with this recommendation.

ODE will implement the following corrective action to ensure monthly FFATA reports are independently reviewed to ensure accurate and complete reporting.

1. *Review and update list of all FFATA eligible federal awards monthly.*
2. *Implement a new query tool that will reduce manual processes.*
3. *Collaborate with ODE partners to access agency-collected unique entity identifier (UEI) information for sub awardees.*
4. *Monthly review of FFATA reporting by a second accountant.*

Anticipated Completion Date: June 30, 2024

2023-042 Oregon Department of Education
Retain support for pre-approval of equipment purchases

Federal Awarding Agency: U.S. Department of Education
Assistance Listing Number and Name: 84.425C, 84.425D 84.425U & 84.425W Education Stabilization Fund (COVID-19)
Federal Award Numbers and Years: S425C210048, 2021 (COVID-19);
S425D210049, 2021 (COVID-19);
S425U210049, 2021 (COVID-19);
S425W210038, 2021 (COVID-19)
Compliance Requirement: Equipment
Type of Finding: Significant Deficiency: Noncompliance
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 200.439; 2 CFR 200.303

Capital expenditures for general and special purpose equipment purchases are subject to prior approval by the state agency. Federal regulations also require recipients of federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Education Stabilization Funds can be used to purchase equipment that meets the overall purpose of the Education Stabilization Fund, which is to prevent, prepare for, and respond to the COVID-19 pandemic. Department procedure is for subrecipients to submit a capital request forms to the department for approval. Education will email an approval to the subrecipient. We tested 61 equipment purchases made during fiscal year 2023 and found that for one an approval could not be located. As no approval could be found, we were unable to determine if prior approval was made for the equipment.

According to department management, documentation could not be located. If documentation is not retained, there is a risk that funds expended are not in compliance with federal requirements.

We recommend the department retain documentation regarding every equipment approval.

MANAGEMENT RESPONSE:

We agree with this recommendation.

ODE has already developed and implemented updates to the capital expenditure request review and approval process to ensure equipment approvals are retained.

Early ESSER capital project tag requests were split between a committee for large projects and the individual grant finance manager. Approvals were primarily sent via email from the grant finance manager. Some of those messages are archived in the ESSER.ODE inbox, however some went out directly from staff email. Records are available for the committee decisions. When the smaller approvals moved from the finance manager to an ESSER team, many of those decisions were made in conjunction with other meetings. Some records are available; however, the Capital Expenditure Tracker was the primary location of decisions.

In October 2022, staffing changes allowed the committee and team structure to become more formalized. Committee meeting decisions shifted from a "minute"- style agenda to being more systematized in an online log. Team meeting decisions followed a similar process update in April 2023. The online agenda/log

allows for consistent tracking of projects that are up for discussion and which approval are put on hold for elevation approval, correction, or clarification from the district.

Committee and team meetings have been established weekly. When all information is received from a district, the project is placed on the appropriate agenda for that week. Approvals are sent out within 2 business days. A column was added to the Capital Expenditure Tracker, which remains the primary location of records, to track when the approval emails were sent.

Corrections have already been developed and implemented as of April 2024.

Anticipated Completion Date: April 30, 2024

2023-043 Oregon Business Development Department

Management should implement accounting review of quarterly reports before submitting to DAS

Federal Awarding Agency:	U.S. Department of the Treasury
Assistance Listing Number and Name:	21.027 Coronavirus State and Local Fiscal Recovery Fund (COVID-19)
Federal Award Numbers and Years:	SLFRP4454, 2021 (COVID-19)
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR § 200.303(a)

Recipients of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) are required to provide quarterly project and expenditure reports to the Department of Administrative Services (DAS) who then compile the information and submit it to the US Department of Treasury. Each report contains detailed project information, including current period obligation, cumulative obligation, current period expenditure, and cumulative expenditure.

Department management is responsible for establishing and maintaining effective internal controls that provide reasonable assurance the department is managing the federal award in compliance with the terms and conditions of the federal award. The department's reporting process did not include a review by accounting staff to ensure reports included all activity of the reporting period and agreed to accounting records. As a result, reports were submitted to DAS with inaccurate information resulting in reporting errors. Failure to report accurate expenditures and obligations could result in a loss of SLFRF funds.

We recommend the department include an accounting review of SLFRF reports prior to submitting to DAS.

MANAGEMENT RESPONSE:

We agree with this recommendation.

We agree with this finding. Business Oregon has gone through significant personnel change during the period of American Rescue Plan Act (ARPA) grant disbursements, from January 2022 to June 2023. The Chief Financial Officer, Accounting Manager, and Accountants had moved on to other state agencies. The accounting positions were left vacant for months due to challenges in timely filling these positions with the right skill sets. Although there were only a few accounting staff left when majority of the grant disbursements were made, the remaining accounting processed the disbursements with very tight

deadlines. The accounting staff processed grant disbursements through appropriate internal control procedures, reviewed supporting documents for appropriate signature approval on the requests, and made accounting entries for these grant activity transactions.

Below is a list of staff hire dates to illustrate the turnover we faced during this time period:

- *Federal Grant Accountant – November 2023*
- *Chief Financial Officer – October 2023*
- *Deputy CFO/Accounting Manager – May 2023*
- *Program Accountant 2 – April 2023*
- *Accounting Technician – April 2023*
- *Debt Accountant 3 – March 2023*
- *Program Accountant 3 – January 2023*
- *Program Accountant 3 – August 2022*

Due to the accounting team not having enough personnel at the time to prepare reports for the DAS ARPA Grant Program Coordinator, Business Oregon program staff (not accounting staff) took the initiative to complete the reports and submitted the periodic/quarterly reports to DAS. As the Business Oregon program staff did not have access to the SFMA (state accounting system), the program staff used data from another system (Salesforce, not an accounting system) to fill the needed information for the reports. The initial reports submitted to DAS were not reviewed by accounting staff. The program staff continued to complete the reports for DAS until first quarter of 2023, until accountant positions were filled in 2023.

While preparing for the FY 2023 Year-End Closing process (June 2023 to July 2023), the newly hired accountants and Deputy CFO/Accounting Manager reviewed as many FY23 financial transactions as they could and made necessary adjustments and accounting entry corrections. Reporting discrepancies were identified between department accounting records and the reports submitted by program staff to DAS/US Dept of Treasury. Business Oregon accountants worked with DAS on revising the SEFA reports and identified ARPA grant-related items that needs to be corrected. The research continued even after the fiscal year 2023 reporting has closed. A reconciliation of records between department accounting and the reports submitted to the DAS Grant program coordinator was completed in January 2024, and the Business Oregon accounting team submitted a revised FY 2023 SEFA report corrections to the DAS SARS team.

Going forward, management will ensure that the completion of quarterly financial reports for grant reporting is performed and submitted by the agency's accounting team and not program staff to ensure data comes from the accounting system with the review by an accountant or accounting manager.

Anticipated Completion Date: June 30, 2024

Ensure that the nature of program applicants' financial hardship is documented

Federal Awarding Agency:	U.S. Department of the Treasury
Assistance Listing Number and Name:	21.026 Homeowner's Assistance Fund (COVID-19)
Federal Award Numbers and Years:	HAF0027, 2023 (COVID-19)
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: U.S. Department of the Treasury Homeowners Assistance Fund: Guidance on Participant Compliance and Reporting Responsibilities (dated 5/9/22 and revised 1/12/24); Homeowners Assistance Fund Guidance (dated 6/12/23)

Prior to disbursing Homeowners' Assistance Fund (HAF) awards, the Department is required to obtain and document applicants' attestations that they have endured a financial hardship due to the pandemic. Additionally, the attestations must include a description of the nature of the applicants' financial hardship (e.g. loss/reduction of income or risk of home foreclosure).

The Department requires pre-qualification checklists to be completed during the application process to ensure, in addition to several other requirements, that the applicants' attestations of financial hardship due to the pandemic are obtained.

In our testing of HAF eligibility compliance requirements, we randomly selected 40 HAF applicants that received program assistance from the department during fiscal year 2023. We found that for three sample items, while pre-qualification checklists were completed and attestations of financial hardship were obtained, program staff did not ensure a description of the *nature* of applicants' financial hardship was documented. However, no income determination exceptions were identified; all applicants tested were under the program income limit.

Not requiring and documenting the nature of the financial hardship could result in program benefits being awarded to ineligible applicants.

We recommend management implement controls to ensure that the nature of HAF applicants' financial hardship is documented as required by federal guidance.

MANAGEMENT RESPONSE:

The agency agrees with this finding.

OHCS completed research to better isolate the problem and verified the nature of hardship fields are required to submit an application in the homeowner application portal. Review of the hardship fields are now required, and program underwriters and housing counselors will request hardship statements where none exist in an application. The HAF team will review funded applications to determine if any deficiencies exist related to attestations of the nature of financial hardship. OHCS will request that those applicants supplement any missing information to adhere to regulatory standards. OHCS will also implement sampling quality assurance, compliance, and data report reviews to check for attestations of the nature of financial hardships.

Anticipated completion date: September 30, 2024

2023-045 Oregon Housing and Community Services
Obtain documentation to support expenditures or pursue cost recovery

Federal Awarding Agency: U.S. Department of Treasury
Assistance Listing Number and Name: 21.023 Emergency Rental Assistance (COVID-19)
Federal Award Numbers and Years: ERA 1, 2021 (COVID-19); ERA 2, 2021 (COVID-19)
Compliance Requirements: Activities Allowed or Unallowed, Eligibility, Period of Performance
Type of Finding: Noncompliance
Prior Year Finding: N/A
Questioned Costs: \$96,624 (known)

Criteria: 2 CFR 200.332(d); 2 CFR 200.501(g)

Department management is responsible for monitoring the activities of subrecipients to ensure subawards are used for authorized purposes and are compliant with federal requirements. Additionally, department management is responsible for ensuring compliance when a contractor is responsible for program compliance.

The department passed through funds to 17 community action agencies (subrecipients) and a third-party vendor (contractor) to provide program delivery. Program delivery included determining client eligibility and making payments for direct client assistance for rent, utilities, internet, and other housing related costs.

During the fiscal year, the department performed program reviews for each of the subrecipients and the contractor to determine whether funds were paid to eligible clients for allowable activities. We selected eight subrecipient program reviews and the contractor review for testing.

The department reviewed 175 client applications that were processed and approved for payment across the eight selected subrecipients. We reviewed the department's program monitoring reports and identified 91 client applications with potential exceptions related to federal requirements. Our testing found 67 client applications with exceptions totaling \$74,857 in questioned costs.

The department reviewed a total of 60 individual client applications processed and approved for payment by the contractor. We reviewed the department's program monitoring report and identified 16 client applications with potential exceptions related to federal requirements. Our testing found five client applications with exceptions totaling \$21,767 in questioned costs.

The majority of exceptions were due to a lack of sufficient documentation being maintained to ensure assistance was only provided to eligible clients for allowable costs within the applicable time period.

We recommend department management coordinate with their subrecipients and contractor to obtain additional documentation to ensure compliance with federal requirements or to recover amounts paid that are not in compliance with federal requirements.

MANAGEMENT RESPONSE:

We agree with this recommendation.

OHCS is in the process of coordinating with agencies and contractor to resolve any outstanding compliance concerns. Expenses may be considered mitigated if documentation to support the questioned cost is obtained, or if agency is able to clarify policy and procedure to support existing documentation. If

expenditure is not resolved and is identified as non-compliant with federal requirements, OHCS may pursue cost recovery.

Anticipated Completion Date: July 31, 2024

**State of Oregon
Schedule of Expenditures of
Federal Awards
For the Year Ended
June 30, 2023**

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Assistance Listing 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					
10.025	Plant and Animal Disease, Pest Control, and Animal Care Pass Through from: Oregon State University <i>Total 10.025</i>	04575900000000	\$ 32,000 -	\$ 3,498,158 <i>(2,912)</i>	\$ - 3,527,246
10.028	Wildlife Services		-	150,213	150,213
10.069	Conservation Reserve Program		256,364	-	256,364
10.093	Voluntary Public Access and Habitat Incentive Program		-	1,204,311	1,204,311
10.156	Federal-State Marketing Improvement Program		4,272	-	4,272
10.170	Specialty Crop Block Grant Program - Farm Bill		1,789,178	910,854	2,700,032
10.171	Organic Certification Cost Share Programs		-	94,647	94,647
10.181	Agricultural Worker Pandemic Relief and Protection Program		1,459,543	-	1,459,543
10.182	COVID-19 Food Bank Network		645,699	-	
10.182	Food Bank Network <i>Total 10.182</i>		456,930	-	1,102,629
10.187	The Emergency Food Assistance Program (TEFAP)		2,555,222	-	2,555,222
10.329	Crop Protection and Pest Management Competitive Grants Program Pass Through from: University of California <i>Total 10.329</i>	06111230000000	- -	- <i>25,540</i>	- 25,540
10.525	Farm and Ranch Stress Assistance Network Competitive Grants Program		28,818	-	28,818
10.537	Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants		-	6,426	6,426
10.542	COVID-19 Pandemic EBT Food Benefits		-	91,730,424	91,730,424
10.545	Farmers' Market Supplemental Nutrition Assistance Program Support Grants		-	10,238	10,238
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		18,775,585	52,506,740	71,282,325
10.558	Child and Adult Care Food Program		26,598,778	549,288	27,148,066
10.560	State Administrative Expenses for Child Nutrition		-	3,799,906	3,799,906
10.575	Farm to School Grant Program		-	54,270	54,270

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
10.576	COVID-19 Senior Farmers Market Nutrition Program		-	525,235	
10.576	Senior Farmers Market Nutrition Program		-	945,585	
	<i>Total 10.576</i>				1,470,820
10.578	WIC Grants to States (WGS)		80,758	-	80,758
10.579	Child Nutrition Discretionary Grants Limited Availability		315,013	29,448	344,461
10.645	Farm to School State Formula Grant		-	5,686	5,686
10.649	COVID-19 Pandemic EBT Administrative Costs		-	9,631,819	9,631,819
10.664	Cooperative Forestry Assistance		227,676	3,554,313	3,781,989
10.674	Wood Utilization Assistance		-	14,606	14,606
10.675	Urban and Community Forestry Program		-	24,081	24,081
10.676	Forest Legacy Program		-	4,706,696	4,706,696
10.678	Forest Stewardship Program		-	13,774	13,774
10.680	Forest Health Protection		-	964,674	964,674
10.691	Good Neighbor Authority		-	1,309,900	1,309,900
10.697	State & Private Forestry Hazardous Fuel Reduction Program		-	546,878	546,878
10.698	State & Private Forestry Cooperative Fire Assistance		-	334,492	334,492
10.720	Infrastructure Investment and Jobs Act Community Wildfire Defense Grants		-	43,573	43,573
10.723	Community Project Funds - Congressionally Directed Spending		-	129,753	129,753
10.724	Infrastructure Investment and Jobs Act Community National Priority Large Landscapes		-	88,582	88,582
10.868	Rural Energy for America Program		-	15,685	15,685
10.902	Soil and Water Conservation		-	802,377	
	Pass Through from: American Forest Foundation	1521235124000	-	102,097	
	<i>Total 10.902</i>				904,474
10.912	Environmental Quality Incentives Program		242,172	74,998	317,170
10.U01	2022 OR MPI 01			243,402	243,402
10.U02	20GN11061800033			24,425	24,425
10.U03	Not Available			336	336
10.U04	NR200436XXXXC008			394,403	394,403

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, 2023

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
SNAP Cluster					
10.551	COVID-19 Supplemental Nutrition Assistance Program		\$ -	\$ 880,526,185	\$ -
10.551	Supplemental Nutrition Assistance Program		-	1,289,285,019	
	<i>Total 10.551</i>				2,169,811,204
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		8,956,561	154,683,061	163,639,622
Total SNAP Cluster			\$ 8,956,561	\$ 2,324,494,265	\$ 2,333,450,826
Child Nutrition Cluster					
10.553	School Breakfast Program		\$ 41,339,732	\$ 310,486	\$ 41,650,218
10.555	National School Lunch Program		165,103,944	665,378	165,769,322
10.556	Special Milk Program for Children		62,772	-	62,772
10.559	Summer Food Service Program for Children		5,834,133	455,816	6,289,949
10.582	Fresh Fruit and Vegetable Program		2,537,237	21,790	2,559,027
Total Child Nutrition Cluster			\$ 214,877,818	\$ 1,453,470	\$ 216,331,288
Food Distribution Cluster					
10.565	Commodity Supplemental Food Program		\$ 956,042	\$ -	\$ 956,042
10.568	COVID-19 Emergency Food Assistance Program (Administrative Costs)		2,011,762	-	
10.568	Emergency Food Assistance Program (Administrative Costs)		13,990,709	-	
	<i>Total 10.568</i>				16,002,471
10.569	Emergency Food Assistance Program (Food Commodities)		131,966	-	131,966
Total Food Distribution Cluster			\$ 17,090,479	\$ -	\$ 17,090,479
Total Department of Agriculture			\$ 294,392,866	\$ 2,505,012,656	\$ 2,799,405,522
Department of Commerce					
11.012	Integrated Ocean Observing System (IOOS)		\$ -	\$ -	\$ -
	Pass Through from: University of Washington	07000000000000		15,683	
	Pass Through from: University of Washington	1916001537		61,174	
	<i>Total 11.012</i>				76,857

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, 2023**

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
11.032	State Digital Equity Planning Grants		-	97,780	97,780
11.035	Broadband Equity, Access, and Deployment Program		-	486,583	486,583
11.407	Interjurisdictional Fisheries Act of 1986		-	51,620	
	Pass Through from: Pacific States Marine Fish Com	936002376		<u>418,842</u>	
	<i>Total 11.407</i>				470,462
11.419	Coastal Zone Management Administration Awards		13,253	2,254,273	
	Pass Through from: Oregon State University	08000000000000		1,250	
	Pass Through from: University of Oregon	1464727800000		<u>9,231</u>	
	<i>Total 11.419</i>				2,278,007
11.420	Coastal Zone Management Estuarine Research Reserves		-	1,160,498	1,160,498
11.436	Columbia River Fisheries Development Program		-	6,689,817	
	Pass Through from: Pacific States Marine Fish Com	936002376		<u>74,849</u>	
	<i>Total 11.436</i>				6,764,666
11.437	Pacific Fisheries Data Program		-	231,502	
	Pass Through from: Pacific States Marine Fish Com	936002376		<u>1,123,515</u>	
	<i>Total 11.407</i>				1,355,017
11.438	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program		8,860,944	11,522,039	20,382,983
11.439	Marine Mammal Data Program		-	3,543	
	Pass Through from: Pacific States Marine Fish Com	936002376		<u>11,809</u>	
	<i>Total 11.439</i>				15,352
11.441	Regional Fishery Management Councils		-	51,606	
	Pass Through from: Pacific Fishery Mgmt Council	910982918		149,600	
	Pass Through from: North Pacific Fishery Mgmt Con	920060367		<u>25,218</u>	
	<i>Total 11.441</i>				226,424
11.467	Meteorologic and Hydrologic Modernization Development		-	393,071	393,071
11.472	Unallied Science Program		-	209,105	209,105
11.473	Office for Coastal Management		-	29,653	29,653

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, 2023

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
11.478	Center for Sponsored Coastal Ocean Research Coastal Ocean Program		-	57,837	57,837
Total Department of Commerce			\$ 8,874,197	\$ 25,130,098	\$ 34,004,295
Department of Defense					
12.106	Flood Control Projects				
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		\$ 5,798	\$ -	\$ 5,798
12.400	Military Construction, National Guard		-	7,766	7,766
12.401	National Guard Military Operations and Maintenance (O&M) Projects		-	18,111,803	18,111,803
12.404	National Guard ChalleNGe Program		-	60,655,375	60,655,375
12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies		-	6,393,583	6,393,583
	Pass Through from: California Energy Commission	00000000000106		5,806	
	Total 12.610			8,438	14,244
12.U01	21130P				
	Pass Through from: Pacific States Marine Fish Com	936002376	-	156,291	
	Total 12.U01			354,653	510,944
12.U02	23021G				
	Pass Through from: Pacific States Marine Fish Com	936002376	-	-	
	Total 12.U02			16,630	16,630
12.U03	W9127N20P0149		-	751,209	751,209
12.U04	W9127N21P0130		-	117,420	117,420
Total Department of Defense			\$ 5,798	\$ 86,578,974	\$ 86,584,772
Department of Housing and Urban Development					
14.228	COVID-19 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		\$ 10,106,172	\$ 224,595	\$ -
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		8,702,730	2,457,520	
	Total 14.228				21,491,017

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, 2023

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
14.231	COVID-19 Emergency Solutions Grant Program		9,043,629	203,251	
14.231	Emergency Solutions Grant Program		2,124,989	36,030	
	<i>Total 14.231</i>				11,407,899
14.239	COVID-19 Home Investment Partnerships Program		-	258,352	
14.239	Home Investment Partnerships Program		971,787	2,853,548	
	<i>Total 14.239</i>				4,083,687
14.241	COVID-19 Housing Opportunities for Persons with AIDS		77,290	32,841	
14.241	Housing Opportunities for Persons with AIDS		300,973	1,046,371	
	<i>Total 14.241</i>				1,457,475
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants		1,329,511	-	1,329,511
14.256	ARRA - Neighborhood Stabilization Program		-	1,798	1,798
14.267	Continuum of Care Program		-	14,696	14,696
14.275	Housing Trust Fund		196,676	3,811,177	4,007,853
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities		-	398,052	398,052
14.U01	B08DN410001		-	4,013	4,013
Total Department of Housing and Urban Development			\$ 32,853,757	\$ 11,342,244	\$ 44,196,001
Department of the Interior					
15.015	Good Neighbor Authority		\$ -	\$ 134,707	\$ 134,707
15.214	Non-Sale Disposals of Mineral Material		110,873	-	110,873
15.223	Recreation and Visitor Services		-	432,784	432,784
15.224	Cultural and Paleontological Resource Management		-	152,901	152,901
15.225	Recreation and Visitor Services		-	80,701	80,701
15.228	BLM Wildland Urban Interface Community Fire Assistance		-	2,722	2,722
15.230	Invasive and Noxious Plant Management		-	269,711	269,711
15.233	Forests and Woodlands Resource Management		-	2,661	2,661
15.234	Secure Rural Schools and Community Self-Determination		-	23,430	
	Pass Through from: Josephine County	1936002300		8,058	
	<i>Total 15.234</i>				31,488

The accompanying notes are an integral part of this schedule.

State of Oregon
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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
15.244	Fisheries and Aquatic Resources Management		1,543,543	175,061	1,718,604
15.245	Plant Conservation and Restoration Management		-	56,212	56,212
15.246	Threatened and Endangered Species		-	68,987	68,987
15.247	Wildlife Resource Management		-	231,045	231,045
15.504	Title XVI Water Reclamation and Reuse		-	177,728	177,728
15.524	Recreation Resources Management		-	190,852	190,852
15.614	Coastal Wetlands Planning, Protection and Restoration		25,321	-	25,321
15.615	Cooperative Endangered Species Conservation Fund		-	1,098,741	1,098,741
15.616	Clean Vessel Act		364,475	47,762	412,237
15.622	Sportfishing and Boating Safety Act		10,500	-	10,500
15.630	Coastal		-	6,851	6,851
15.634	State Wildlife Grants		-	1,443,374	1,443,374
15.657	Endangered Species Conservation - Recovery Implementation Funds		-	746,549	746,549
15.661	Lower Snake River Compensation Plan		-	3,934,845	3,934,845
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention		70,287	-	70,287
15.684	White-nose Syndrome National Response Implementation		-	35,361	35,361
15.808	U.S. Geological Survey Research and Data Collection		-	115,404	115,404
15.810	National Cooperative Geologic Mapping		-	62,654	62,654
15.817	National Geospatial Program: Building The National Map		-	734,186	734,186
15.904	Historic Preservation Fund Grants-In-Aid		317,107	859,016	1,176,123
15.916	Outdoor Recreation Acquisition, Development and Planning		569,947	600,664	1,170,611
15.U01	GF201801		-	24,875	24,875
Fish and Wildlife Cluster					
15.605	Sport Fish Restoration		\$ 884,554	\$ 7,630,591	\$ 8,515,145
15.611	Wildlife Restoration and Basic Hunter Education		-	18,813,080	18,813,080
15.626	Enhanced Hunter Education and Safety		110,359	118,122	228,481
Total Fish and Wildlife Cluster			\$ 994,913	\$ 26,561,793	\$ 27,556,706
Total Department of the Interior			\$ 4,006,966	\$ 38,279,635	\$ 42,286,601
Department of Justice					
16.017	Sexual Assault Services Formula Program		\$ 402,783	\$ 23,234	\$ 426,017
16.034	COVID-19 Coronavirus Emergency Supplemental Funding Program		-	73,643	73,643
16.320	Services for Trafficking Victims		33,819	102,107	135,926

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, 2023

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
16.540	Juvenile Justice and Delinquency Prevention		480,686	140,985	621,671
16.543	Missing Children's Assistance		-	528,218	528,218
16.550	State Justice Statistics Program for Statistical Analysis Centers		-	145,045	145,045
16.554	National Criminal History Improvement Program (NCHIP)		43,851	-	43,851
16.575	Crime Victim Assistance		23,898,807	1,407,164	25,305,971
16.576	Crime Victim Compensation		-	1,608,474	1,608,474
16.582	Crime Victim Assistance/Discretionary Grants		55,258	-	
	Pass Through from: Natl Assoc Voca Asst Administr	1682		4,100	
	<i>Total 16.582</i>				59,358
16.585	Drug Court Discretionary Grant Program		-	560,989	
	Pass Through from: Union County	1011		2,893	
	Pass Through from: Josephine County	1018		9,910	
	Pass Through from: Harney County	1023		79,178	
	<i>Total 16.585</i>				652,970
16.588	Violence Against Women Formula Grants		1,467,692	299,713	1,767,405
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		-	-	
	Pass Through from: Clackamas Women's Services	1045		82,484	
	<i>Total 16.590</i>				82,484
16.593	Residential Substance Abuse Treatment for State Prisoners		187,516	-	187,516
16.595	Community Capacity Development Office		-	181,252	181,252
16.710	Public Safety Partnership and Community Policing Grants		-	30,263	30,263
16.735	PREA Program: Strategic Support for PREA Implementation		-	165,004	165,004
16.738	Edward Byrne Memorial Justice Assistance Grant Program		2,956,481	546,405	3,502,886
16.741	DNA Backlog Reduction Program		-	2,038,752	2,038,752
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		-	561,664	561,664
16.750	Support for Adam Walsh Act Implementation Grant Program		-	239,469	239,469
16.754	Harold Rogers Prescription Drug Monitoring Program		-	545,562	545,562
16.812	Second Chance Act Reentry Initiative		-	184,537	184,537
16.813	NICS Act Record Improvement Program		-	279,218	279,218
16.816	John R. Justice Prosecutors and Defenders Incentive Act		-	1,350	1,350
16.827	Justice Reinvestment Initiative		-	70,341	70,341

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State of Oregon
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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
16.831	Children of Incarcerated Parents		-	246,698	246,698
16.834	Domestic Trafficking Victim Program		-	225,927	225,927
16.922	Equitable Sharing Program		-	631,635	631,635
Total Department of Justice			\$ 29,526,893	\$ 11,016,214	\$ 40,543,107
Department of Labor					
17.002	Labor Force Statistics		-	1,602,327	1,602,327
17.005	Compensation and Working Conditions		54	188,070	188,124
17.225	ARRA - Unemployment Insurance		-	4,474,266	
17.225	COVID-19 Unemployment Insurance		-	22,552,318	
17.225	Unemployment Insurance		-	655,201,980	
	<i>Total 17.225</i>				682,228,564
17.235	Senior Community Service Employment Program		1,091,399	16,478	1,107,877
17.245	Trade Adjustment Assistance		-	29,786,635	29,786,635
17.271	Work Opportunity Tax Credit Program (WOTC)		-	256,563	256,563
17.273	Temporary Labor Certification for Foreign Workers		-	323,275	323,275
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants		3,870,130	24,945	
	Pass Through from: Chemeketa Community College	0000000013000		1,700,566	
	<i>Total 17.277</i>				5,595,641
17.285	Apprenticeship USA Grants		1,114,064	359,470	1,473,534
17.503	Occupational Safety and Health State Program		-	7,847,864	7,847,864
17.700	Women's Bureau		19,264	5,118	24,382
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities		-	10,483,324	10,483,324
17.801	Jobs for Veterans State Grants		-	3,450,927	3,450,927
Total Employment Service Cluster			\$ -	\$ 13,934,251	\$ 13,934,251

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State of Oregon
Schedule of Expenditures of Federal Awards
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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
WIOA Cluster					
17.258	WIOA Adult Program Pass Through from: Worksystems Inc <i>Total 17.278</i>	00000000037000	\$ 9,764,092	\$ 1,425,633 <u>214,321</u>	\$ - 11,404,046
17.259	WIOA Youth Activities		9,959,106	601,910	10,561,016
17.278	WIOA Dislocated Worker Formula Grants Pass Through from: Worksystems Inc <i>Total 17.278</i>	00000000037000	7,965,748	556,448 <u>12,312</u>	 8,534,508
Total WIOA Cluster			\$ 27,688,946	\$ 2,810,624	\$ 30,499,570
Total Department of Labor			\$ 33,783,857	\$ 741,084,750	\$ 774,868,607
Department of Transportation					
20.106	Airport Improvement Program		\$ -	\$ 1,582,637	\$ 1,582,637
20.200	Highway Research and Development Program		583,549	-	583,549
20.205	Highway Planning and Construction Pass Through from: Oregon State University <i>Total 20.205</i>	16117308904	40,014,049	634,988,575 <u>3,181</u>	 675,005,805
20.219	Recreational Trails Program		1,835,575	153,802	1,989,377
20.224	Federal Lands Access Program		11,298	282,995	294,293
20.232	Commercial Driver's License Program Implementation Grant		-	57,074	57,074
20.301	Railroad Safety		-	32,597	32,597
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants		-	171,018	171,018
20.321	Railroad Safety Technology Grants		-	165,414	165,414
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		203,002	11,476	214,478
20.509	Formula Grants for Rural Areas and Tribal Transit Program		19,337,934	462,315	19,800,249
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program		-	10,043	10,043
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		33,658	508,899	542,557

The accompanying notes are an integral part of this schedule.

State of Oregon
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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		-	90,616	90,616
20.700	Pipeline Safety Program State Base Grant		-	613,798	613,798
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		137,866	240,518	378,384
Federal Transit Cluster					
20.526	Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs		\$ 2,044,693	\$ -	\$ 2,044,693
Total Federal Transit Cluster			\$ 2,044,693	\$ -	\$ 2,044,693
FMCSA Cluster					
20.218	National Motor Carrier Safety Assistance		\$ 124,736	\$ 5,326,204	\$ 5,450,940
Total FMCSA Cluster			\$ 124,736	\$ 5,326,204	\$ 5,450,940
Highway Safety Cluster					
20.600	State and Community Highway Safety		\$ 1,024,758	\$ 2,736,320	\$ 3,761,078
20.611	Incentive Grant Program to Prohibit Racial Profiling		-	269,785	269,785
20.616	National Priority Safety Programs		1,494,940	3,368,257	4,863,197
Total Highway Safety Cluster			\$ 2,519,698	\$ 6,374,362	\$ 8,894,060
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		\$ 11,862,639	\$ 881,235	\$ 12,743,874
Total Transit Services Programs Cluster			\$ 11,862,639	\$ 881,235	\$ 12,743,874
Total Department of Transportation			\$ 78,708,697	\$ 651,956,759	\$ 730,665,456
Department of the Treasury					
21.019	COVID-19 Coronavirus Relief Fund		\$ 1,335,577	\$ 30,836,224	\$ 32,171,801
21.023	COVID-19 Emergency Rental Assistance Program		5,091,335	39,643,845	44,735,180
21.026	COVID-19 Homeowner Assistance Fund		436,212	21,501,995	21,938,207
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds		35,981,175	793,319,018	829,300,193
21.029	COVID-19 Coronavirus Capital Projects Fund		-	192,152	192,152
21.U01	ASSET FORFEITURE		-	1,385,345	1,385,345
Total Department of the Treasury			\$ 42,844,299	\$ 886,878,579	\$ 929,722,878

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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Equal Employment Opportunity Commission					
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964		\$ -	\$ 585,066	\$ 585,066
Total Equal Employment Opportunity Commission			\$ -	\$ 585,066	\$ 585,066
General Services Administration					
39.003	Donation of Federal Surplus Personal Property		\$ 1,021,589	\$ 500,134	\$ 1,521,723
Total General Services Administration			\$ 1,021,589	\$ 500,134	\$ 1,521,723
National Endowment for the Arts					
45.025	COVID-19 Promotion of the Arts Partnership Agreements		\$ 20,806	\$ 5,000	-
45.025	Promotion of the Arts Partnership Agreements		820,308	44,479	-
	<i>Total 45.025</i>				890,593
Total National Endowment for the Arts			\$ 841,114	\$ 49,479	\$ 890,593
Institute Of Museum and Library Services					
45.310	COVID-19 Grants to States		\$ 1,088,185	\$ 196,047	-
45.310	Grants to States		538,307	1,639,113	-
	<i>Total 45.310</i>				3,461,652
Total Institute Of Museum and Library Services			\$ 1,626,492	\$ 1,835,160	\$ 3,461,652
Small Business Administration					
59.061	State Trade Expansion		\$ 278,190	\$ 43,069	\$ 321,259
Total Small Business Administration			\$ 278,190	\$ 43,069	\$ 321,259
Department of Veterans Affairs					
64.005	Grants to States for Construction of State Home Facilities		\$ -	\$ 2,200,659	\$ 2,200,659
64.015	Veterans State Nursing Home Care		-	24,839,149	24,839,149
64.035	Veterans Transportation Program		690,528	92,392	782,920
Total Department of Veterans Affairs			\$ 690,528	\$ 27,132,200	\$ 27,822,728
Environmental Protection Agency					
66.032	State Indoor Radon Grants		\$ -	\$ 61,026	\$ 61,026
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		-	981,676	981,676
66.204	Multipurpose Grants to States and Tribes		-	95,354	95,354

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State of Oregon
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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
66.432	State Public Water System Supervision		-	2,469,965	2,469,965
66.444	Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))		248,768	-	248,768
66.447	Sewer Overflow and Stormwater Reuse Municipal Grant Program		-	3,063	3,063
66.454	Water Quality Management Planning		-	145,033	145,033
66.460	Nonpoint Source Implementation Grants		244,869	613	245,482
66.461	Regional Wetland Program Development Grants		-	188,749	188,749
66.472	Beach Monitoring and Notification Program Implementation Grants		-	290,604	290,604
66.605	Performance Partnership Grants		9,880	3,807,267	3,817,147
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		-	543,270	543,270
66.708	Pollution Prevention Grants Program		60,474	87,226	147,700
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		-	496,184	496,184
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		-	412,387	412,387
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		-	811,493	811,493
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		-	122,666	122,666
66.817	State and Tribal Response Program Grants		-	1,023,577	1,023,577
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		-	14,379	14,379
66.956	Targeted Airshed Grant Program		-	1,012,541	1,012,541
Clean Water State Revolving Fund Cluster					
66.458	Capitalization Grants for Clean Water State Revolving Funds		\$ 10,343,198	\$ -	\$ 10,343,198
Total Clean Water State Revolving Fund Cluster			\$ 10,343,198	\$ -	\$ 10,343,198
Drinking Water State Revolving Fund Cluster					
66.468	Capitalization Grants for Drinking Water State Revolving Funds		\$ 8,780,084	\$ 3,560,405	\$ 12,340,489
Total Drinking Water State Revolving Fund Cluster			\$ 8,780,084	\$ 3,560,405	\$ 12,340,489
Total Environmental Protection Agency			\$ 19,687,273	\$ 16,127,478	\$ 35,814,751
Department of Energy					
81.041	State Energy Program		\$ -	\$ 1,049,740	\$ 1,049,740
81.042	Weatherization Assistance for Low-Income Persons		3,329,645	268,237	3,597,882
81.104	Environmental Remediation and Waste Processing and Disposal		-	6,053	6,053

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**State of Oregon
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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions Pass Through from: Western Interstate Energy Brd <i>Total 81.106</i>	00000000000104	-	-	49,651
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance Pass Through from: Washington State University <i>Total 81.117</i>	00000000000103	26,329	805	1,508
81.214	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis		5,600	836,682	842,282
81.U01	83358		176,485	55,805	232,290
81.U02	88993		1,148,190	99,891	1,248,081
81.U03	20120068576 Pass Through from: National Fish & Wildlife Found <i>Total 81.U03</i>	521384139	-	12,127	56,310
81.U04	21084G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U04</i>	936002376	-	26,483	92,040
81.U05	22075G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U05</i>	936002376	-	52,396	283,511
81.U06	22137G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U06</i>	936002376	-	46,393	236,635
81.U07	22141G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U07</i>	936002376	-	44,530	159,099
					203,629

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Assistance Listing 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.U08	23043G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U08</i>	936002376	-	9,804 <u>58,953</u>	68,757
81.U09	23066G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U09</i>	936002376	-	15,433 <u>18,935</u>	34,368
81.U10	23073G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U10</i>	936002376	-	17,156 <u>166,154</u>	183,310
81.U11	23111G Pass Through from: Pacific States Marine Fish Com <i>Total 81.U11</i>	936002376	-	111,885 <u>461,180</u>	573,065
81.U12	4020002022 Pass Through from: Confed Tribes Umatilla Indian <i>Total 81.U12</i>	930624734	-	3,758 <u>16,347</u>	20,105
81.U13	74313REL102		-	1,636,592	1,636,592
81.U14	74313REL104		-	119,618	119,618
81.U15	74313REL106		-	405,674	405,674
81.U16	74313REL107		-	1,374,049	1,374,049
81.U17	74313REL110		-	992,102	992,102
81.U18	74313REL112		-	48,596	48,596
81.U19	74313REL113		-	403,135	403,135
81.U20	74313REL114		-	401,307	401,307
81.U21	74313REL54		-	399,851	399,851
81.U22	74313REL91		-	1,202,757	1,202,757
81.U23	74313REL92		-	67,792	67,792
81.U24	84041REL005		-	1,395,959	1,395,959
81.U25	84041REL006		-	1,034,698	1,034,698
81.U26	84041REL007		-	1,317,745	1,317,745
81.U27	84041REL009		-	229,325	229,325
81.U28	84041REL01		-	183,680	183,680

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Assistance Listing 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.U29	84041REL011		-	564,654	564,654
81.U30	84041REL013		-	1,180,425	1,180,425
81.U31	84041REL017		-	496,059	496,059
81.U32	84041REL02		-	128,122	128,122
81.U33	84041REL03		-	11,947	11,947
81.U34	T1983521		-	-	
	Pass Through from: Confed Tribes Warm Springs Ind	390383362		21,172	
	<i>Total 81.U34</i>				21,172
Total Department of Energy			\$ 4,686,249	\$ 17,872,760	\$ 22,559,009
Department of Education					
84.002	Adult Education - Basic Grants to States		\$ 4,770,576	\$ 987,119	\$ 5,757,695
84.010	Title I Grants to Local Educational Agencies		147,223,160	1,994,021	149,217,181
84.011	Migrant Education State Grant Program		24,363,849	1,835,736	26,199,585
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		2,075,467	1,391	2,076,858
84.048	Career and Technical Education-Basic Grants to States		16,240,369	2,555,630	18,795,999
84.051	Career and Technical Education-National Programs		91,434	-	91,434
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		827,439	59,917,198	60,744,637
84.144	Migrant Education Coordination Program		-	75,562	75,562
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind		-	608,750	608,750
84.181	COVID-19 Special Education-Grants for Infants and Families		921,193	-	
84.181	Special Education-Grants for Infants and Families		5,238,078	409,080	
	<i>Total 84.181</i>				6,568,351
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)		-	799,746	799,746
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		-	280,770	280,770
84.196	Education for Homeless Children and Youth		670,168	194,098	864,266
84.287	Twenty-First Century Community Learning Centers		12,041,860	148,631	12,190,491
84.305	Education Research, Development and Dissemination		114,063	-	114,063
84.323	Special Education - State Personnel Development		180,863	35,223	216,086
84.358	Rural Education		948,534	105,212	1,053,746

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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
84.365	English Language Acquisition State Grants		7,162,330	409,094	7,571,424
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)		20,473,647	348,982	20,822,629
84.369	Grants for State Assessments and Related Activities		-	6,239,140	6,239,140
84.421	Disability Innovation Fund (DIF)		1,875,549	372,204	2,247,753
84.U01	88793		-	2,089	2,089
84.U02	91057		-	11,819	11,819
84.U03	91990020C0021		-	212,419	212,419
Special Education Cluster (IDEA)					
84.027	COVID-19 Special Education Grants to States		\$ 17,530,790	\$ 32,814	\$ -
84.027	Special Education Grants to States		131,389,859	8,600,095	
	<i>Total 84.027</i>				157,553,558
84.173	COVID-19 Special Education Preschool Grants		879,589	-	
84.173	Special Education Preschool Grants		3,175,065	316,066	
	<i>Total 84.173</i>				4,370,720
Total Special Education Cluster (IDEA)			\$ 152,975,303	\$ 8,948,975	\$ 161,924,278
Student Support and Academic Enrichment Program					
84.424A	Student Support and Academic Enrichment Program		\$ 11,013,020	\$ 229,468	\$ 11,242,488
84.424D	Expanding access to Well-Rounded Courses Demonstration Grants Program			715,194	715,194
Total Student Support and Academic Enrichment Program			\$ 11,013,020	\$ 944,662	\$ 11,957,682

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Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Education Stabilization Fund (ESF)					
84.425	COVID-19 Education Stabilization Fund		\$ 5,203,093	\$ 1,330,000	\$ 6,533,093
84.425C	COVID-19 Governor's Emergency Education Relief (GEER) Fund		3,779,594	1,044,672	4,824,266
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund		139,858,423	661,274	140,519,697
84.425R	COVID-19 Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) program		1,478,051	6,422,609	7,900,660
84.425U	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)		242,549,459	4,496,557	247,046,016
84.425V	COVID-19 American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP-EANS)		2,724,641	2,670,390	5,395,031
84.425W	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth		1,400,879	(11,376)	1,389,503
Total Education Stabilization Fund (ESF)			\$ 396,994,140	\$ 16,614,126	\$ 413,608,266
Total Department of Education			\$ 806,201,042	\$ 104,051,677	\$ 910,252,719
Elections Assistance Commission					
90.404	2018 HAVA Election Security Grants		\$ -	\$ 1,670,551	\$ 1,670,551
Total Elections Assistance Commission			\$ -	\$ 1,670,551	\$ 1,670,551
Department of Health and Human Services					
93.008	Medical Reserve Corps Small Grant Program		\$ -	\$ -	-
	Pass Through from: NACCHO	400000000000002		47,250	
	<i>Total 93.008</i>				47,250
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation		35,531	660	36,191
93.042	COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals		-	106,184	
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals		-	195,134	
	<i>Total 93.042</i>				301,318

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93.043	COVID-19 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services		235,955	-	
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services		329,091	-	
	<i>Total 93.43</i>				565,046
93.048	COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects		(8,766)	361,381	
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects		48,000	613,726	
	<i>Total 93.048</i>				1,014,341
93.052	COVID-19 National Family Caregiver Support, Title III, Part E		831,605	61,982	
93.052	National Family Caregiver Support, Title III, Part E		2,750,365	104,952	
	<i>Total 93.052</i>				3,748,904
93.066	State Vital Statistics Improvement Program		-	899,117	899,117
93.069	Public Health Emergency Preparedness		4,059,188	5,085,783	9,144,971
93.070	COVID-19 Environmental Public Health and Emergency Response		-	1,589	
93.070	Environmental Public Health and Emergency Response		140,328	803,569	
	<i>Total 93.070</i>				945,486
93.071	Medicare Enrollment Assistance Program		535,715	64,847	600,562
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		-	13,231	13,231
93.090	COVID-19 Guardianship Assistance		-	922,674	
93.090	Guardianship Assistance		-	10,351,128	
	<i>Total 93.090</i>				11,273,802
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		-	503,004	503,004
93.103	Food and Drug Administration Research		75,000	672,861	747,861
93.110	Maternal and Child Health Federal Consolidated Programs		-	62,661	
	Pass Through from: Assoc of St Ph Nutritionists	40000000000032		466	
	<i>Total 93.110</i>				63,127

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93.113	Environmental Health Pass Through from: Oregon State University <i>Total 93.113</i>	30000000000004	-	-	33,973
					33,973
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		360,025	749,686	1,109,711
93.127	Emergency Medical Services for Children		-	133,400	133,400
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		-	260,937	260,937
93.136	COVID-19 Injury Prevention and Control Research and State and Community Based Programs		-	1,144	
93.136	Injury Prevention and Control Research and State and Community Based Programs <i>Total 93.136</i>		1,013,289	4,130,789	5,145,222
93.150	Projects for Assistance in Transition from Homelessness (PATH)		605,797	908	606,705
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children		-	352,839	352,839
93.217	Family Planning Services		971,474	886,104	1,857,578
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program		144	639,531	639,675
93.236	Grants to States to Support Oral Health Workforce Activities		-	331,568	331,568
93.240	COVID-19 State Capacity Building		-	3	
93.240	State Capacity Building <i>Total 93.240</i>		-	607,983	607,986
93.243	COVID-19 Substance Abuse and Mental Health Services Projects of Regional and National Significance		-	2,098,766	
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance Pass Through from: Josephine County <i>Total 93.243</i>	1018	1,445,935	812,894 2,242	4,359,837
93.251	Universal Newborn Hearing Screening		13,000	231,776	244,776

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93.262	Occupational Safety and Health Program Pass Through from: Oregon Health & Sciences University <i>Total 93.262</i>	20000000000011	-	-	149,449
93.268	COVID-19 Immunization Cooperative Agreements		11,686,772	610,055	
93.268	Immunization Cooperative Agreements <i>Total 93.268</i>		1,091,382	57,230,878	70,619,087
93.270	Viral Hepatitis Prevention and Control		-	416,131	416,131
93.279	Drug Abuse and Addiction Research Programs Pass Through from: Oregon Health & Sciences University <i>Total 93.262</i>	20000000000011	-	-	6,798
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		-	86,893	86,893
93.317	COVID-19 Emerging Infections Programs		120,975	576,844	
93.317	Emerging Infections Programs <i>Total 93.317</i>		371,768	4,004,509	5,074,096
93.323	COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		12,927,659	44,555,907	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) <i>Total 93.323</i>		397,406	106,586	57,987,558
93.324	State Health Insurance Assistance Program		-	1,076,523	1,076,523
93.336	Behavioral Risk Factor Surveillance System		-	744,813	744,813
93.354	COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		11,185,106	1,623,974	
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response <i>Total 93.354</i>		-	63	12,809,143

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, 2023**

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.369	COVID-19 ACL Independent Living State Grants		5,045	17,658	
93.369	ACL Independent Living State Grants		-	500,678	
	<i>Total 93.369</i>				523,381
93.380	Public Health Cancer Genomics Program		-	27,285	27,285
93.387	National and State Tobacco Control Program		22,500	1,263,809	1,286,309
93.391	COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises		1,889,399	2,354,945	4,244,344
93.421	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health		111,898	(111,898)	
	Pass Through from: Natl Assoc Chronic Dis Direct	40000000000015		149,754	
	<i>Total 93.421</i>				149,754
93.423	State Innovation Waivers		-	60,262,446	60,262,446
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke		76,707	2,072,171	2,148,878
93.434	Every Student Succeeds Act/Preschool Development Grants		3,390,525	2,620,557	6,011,082
93.464	COVID-19 ACL Assistive Technology		-	20,975	
93.464	ACL Assistive Technology		460,672	5,000	
	<i>Total 93.464</i>				486,647
93.497	COVID-19 Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports		140,517	-	140,517
93.498	COVID-19 Provider Relief Fund		-	4,726,688	4,726,688
93.499	COVID-19 Low Income Household Water Assistance Program		3,237,881	128,230	
93.499	Low Income Household Water Assistance Program		4,197,724	184,142	
	<i>Total 93.499</i>				7,747,977
93.525	COVID-19 State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges		97,879	315,727	413,606
93.556	COVID-19 Promoting Safe and Stable Families		-	730,319	
93.556	Promoting Safe and Stable Families		1,716,993	1,680,366	
	<i>Total 93.556</i>				4,127,678

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, 2023

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.558	COVID-19 Temporary Assistance for Needy Families		-	62,267	
93.558	Temporary Assistance for Needy Families		2,558,958	180,651,603	
	<i>Total 93.558</i>				183,272,828
93.563	Child Support Enforcement		11,761,496	56,403,358	68,164,854
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs		8,834	8,276,698	8,285,532
93.568	COVID-19 Low-Income Home Energy Assistance		17,307,943	114,529	
93.568	Low-Income Home Energy Assistance		45,539,111	1,688,439	
	<i>Total 93.568</i>				64,650,022
93.569	COVID-19 Community Services Block Grant		1,755,510	1,502	
93.569	Community Services Block Grant		4,753,745	283,306	
	<i>Total 93.569</i>				6,794,063
93.586	State Court Improvement Program		-	475,090	475,090
93.590	COVID-19 Community-Based Child Abuse Prevention Grants		-	583,958	
93.590	Community-Based Child Abuse Prevention Grants		-	572,796	
	<i>Total 93.590</i>				1,156,754
93.597	Grants to States for Access and Visitation Programs		81,318	18,965	100,283
93.599	COVID-19 Chafee Education and Training Vouchers Program (ETV)		-	619,416	
93.599	Chafee Education and Training Vouchers Program (ETV)		-	1,205,383	
	<i>Total 93.599</i>				1,824,799
93.603	Adoption and Legal Guardianship Incentive Payments		-	787,170	787,170
93.630	Developmental Disabilities Basic Support and Advocacy Grants		-	740,848	740,848
93.639	COVID-19 State Planning Grants for Qualifying Community-Based Mobile Crisis Intervention Services		215,897	364,503	580,400
93.643	Children's Justice Grants to States		290,395	7,516	297,911
93.645	Stephanie Tubbs Jones Child Welfare Services Program		434,100	2,949,920	3,384,020

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, 2023**

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.658	COVID-19 Foster Care Title IV-E		-	1,273,965	
93.658	Foster Care Title IV-E		737,426	132,192,789	
	<i>Total 93.658</i>				134,204,180
93.659	COVID-19 Adoption Assistance		-	3,871,053	
93.659	Adoption Assistance		-	49,475,784	
	<i>Total 93.659</i>				53,346,837
93.664	Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act		-	-	
	Pass Through from: ABT Associates Inc	40000000000033		1,068	
	<i>Total 93.664</i>				1,068
93.665	COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19		-	696,591	696,591
93.667	Social Services Block Grant		4,088,408	17,313,694	21,402,102
93.669	COVID-19 Child Abuse and Neglect State Grants		-	70,273	
93.669	Child Abuse and Neglect State Grants		-	662,452	
	<i>Total 93.669</i>				732,725
93.671	COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		1,186,837	-	
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		1,947,879	-	
	<i>Total 93.671</i>				3,134,716
93.674	COVID-19 John H. Chafee Foster Care Independence Program for Successful Transition to Adulthood		-	3,983,582	
93.674	John H. Chafee Foster Care Independence Program for Successful Transition to Adulthood		-	1,549,597	
	<i>Total 93.674</i>				5,533,179
93.738	PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds		-	-	
	Pass Through from: Multnomah County	40000000000010		157,409	
	<i>Total 93.738</i>				157,409

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, 2023

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.747	COVID-19 Elder Abuse Prevention Interventions Program		-	348,751	
93.747	Elder Abuse Prevention Interventions Program		-	418,938	
	<i>Total 93.747</i>				767,689
93.767	COVID-19 Children's Health Insurance Program		-	21,415,942	
93.767	Children's Health Insurance Program		-	378,110,822	
	<i>Total 93.767</i>				399,526,764
93.788	Opioid STR		9,693,292	2,492,194	12,185,486
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid		-	3,737,580	3,737,580
93.800	Organized Approaches to Increase Colorectal Cancer Screening		-	584,463	584,463
93.845	Promoting Population Health through Increased Capacity in Alcohol Epidemiology		-	201,969	201,969
93.870	COVID-19 Maternal, Infant, and Early Childhood Home Visiting Grant		240,791	451,220	
93.870	Maternal, Infant, and Early Childhood Home Visiting Grant		6,626,740	1,988,067	
	<i>Total 83.870</i>				9,306,818
93.876	Antimicrobial Resistance Surveillance in Retail Food Specimens		-	177,154	177,154
93.889	COVID-19 National Bioterrorism Hospital Preparedness Program		166,157	-	
93.889	National Bioterrorism Hospital Preparedness Program		1,275,118	1,689,909	
	<i>Total 93.889</i>				3,131,184
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		95,000	2,972,529	3,067,529
93.917	HIV Care Formula Grants		-	6,292,891	6,292,891
93.940	HIV Prevention Activities Health Department Based		875,388	1,975,840	2,851,228
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		381,376	321,071	702,447
93.945	Assistance Programs for Chronic Disease Prevention and Control		-	334,655	334,655
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		-	187,390	187,390
93.958	COVID-19 Block Grants for Community Mental Health Services		2,752,724	5,930,523	
93.958	Block Grants for Community Mental Health Services		9,906,647	-	
	<i>Total 93.958</i>				18,589,894

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, 2023**

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.959	COVID-19 Block Grants for Prevention and Treatment of Substance Abuse		4,148,204	1,415,948	
93.959	Block Grants for Prevention and Treatment of Substance Abuse		18,082,282	2,423,158	
	Pass Through from: Eagle Technologies Inc	40000000000024	-	239,479	
	<i>Total 93.959</i>				26,309,071
93.967	COVID-19 CDC's Collaboration with Academia to Strengthen Public Health		3,996,938	2,470	3,999,408
93.977	COVID-19 Sexually Transmitted Diseases (STD) Prevention and Control Grants		1,593,753	384,489	
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		-	853,255	
	<i>Total 93.977</i>				2,831,497
93.981	COVID-19 Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools		-	49,332	
93.981	Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools		134,034	400,368	
	<i>Total 93.981</i>				583,734
93.991	Preventive Health and Health Services Block Grant		284,239	767,323	1,051,562
93.994	Maternal and Child Health Services Block Grant to the States		3,483,569	2,599,999	6,083,568

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, 2023**

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Aging Cluster					
93.044	COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		\$ 1,526,588	\$ 140,492	\$ -
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		5,346,452	249,426	
	<i>Total 93.044</i>				7,262,958
93.045	COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services		2,761,835	(331,343)	
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services		8,369,629	213,297	
	<i>Total 93.045</i>				11,013,418
93.053	Nutrition Services Incentive Program		1,432,334	-	1,432,334
Total Aging Cluster			\$ 19,436,838	\$ 271,872	\$ 19,708,710
CCDF Cluster					
93.489	Child Care Disaster Relief		\$ 58,123	-	\$ 58,123
93.575	COVID-19 Child Care and Development Block Grant		529,959	78,015,599	
93.575	Child Care and Development Block Grant		11,339,877	27,517,499	
	<i>Total 93.575</i>				117,402,934
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		6,526,585	41,147,394	47,673,979
Total CCDF Cluster			\$ 18,454,544	\$ 146,680,492	\$ 165,135,036
Head Start Cluster					
93.600	Head Start		\$ -	\$ 81,314	\$ 81,314
Total Head Start Cluster			\$ -	\$ 81,314	\$ 81,314

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, 2023

Assistance Listing 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		\$ -	\$ 2,906,092	\$ 2,906,092
93.777	COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		-	3,208	
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		-	5,950,180	
	<i>Total 93.777</i>				5,953,388
93.778	COVID-19 Medical Assistance Program		-	745,069,569	
93.778	Medical Assistance Program		-	11,074,706,141	
	<i>Total 93.778</i>				11,819,775,710
Total Medicaid Cluster			\$ -	\$ 11,828,635,190	\$ 11,828,635,190
Total Department of Health and Human Services			\$ 260,865,975	\$ 13,101,777,138	\$ 13,362,643,113
Corporation For National and Community Service					
94.003	State Commissions		\$ -	\$ 286,873	\$ 286,873
94.006	AmeriCorps		2,869,768	-	2,869,768
94.008	Commission Investment Fund		-	110,898	110,898
94.009	Training and Technical Assistance		-	92,786	92,786
94.013	Volunteers in Service to America		-	-	
	Pass Through from: Corp for Ntl & Comm Service	10000000000007		120,011	
	<i>Total 94.013</i>				120,011
Total Corporation For National and Community Service			\$ 2,869,768	\$ 610,568	\$ 3,480,336
Office of National Drug Control Policy Reauthorization Act of 2006					
95.001	High Intensity Drug Trafficking Areas Program		\$ -	\$ 3,086,799	\$ 3,086,799
Total Office of National Drug Control Policy Reauthorization Act of 2006			\$ -	\$ 3,086,799	\$ 3,086,799
Social Security Administration					
96.008	Social Security - Work Incentives Planning and Assistance Program		\$ -	\$ 65,842	\$ 65,842

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, 2023

Assistance Listing Number	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Disability Insurance/SSI Cluster					
96.001	Social Security Disability Insurance		-	34,123,685	34,123,685
Total Disability Insurance/SSI Cluster			\$ -	\$ 34,123,685	\$ 34,123,685
Total Social Security Administration			\$ -	\$ 34,189,527	\$ 34,189,527
Department of Homeland Security					
97.008	Non-Profit Security Program		\$ 885,756	\$ -	\$ 885,756
97.012	Boating Safety Financial Assistance		2,194,417	117,760	2,312,177
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		-	189,418	189,418
97.036	COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)		-	215,760,432	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		148,715,857	134,500,144	
	Pass Through from: Chemeketa Community College	0000000013000		100,929	
	<i>Total 97.036</i>				499,077,362
97.039	Hazard Mitigation Grant		4,277,950	508,223	4,786,173
97.041	National Dam Safety Program		-	408,045	408,045
97.042	Emergency Management Performance Grants		5,918,767	943,271	6,862,038
97.043	State Fire Training Systems Grants		-	7,000	7,000
97.044	Assistance to Firefighters Grant		-	166,885	166,885
97.045	Cooperating Technical Partners		-	1,339,296	1,339,296
97.046	Fire Management Assistance Grant		774	19,543,957	19,544,731
97.047	Pre-Disaster Mitigation		678,248	559,232	1,237,480
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs		-	4,259,571	4,259,571
97.067	Homeland Security Grant Program		2,839,888	1,624,829	4,464,717
97.082	Earthquake Consortium		-	72,992	72,992
97.088	Disaster Assistance Projects		-	4,402	4,402
Total Department of Homeland Security			\$ 165,511,657	\$ 380,106,386	\$ 545,618,043
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,789,277,207	\$ 18,646,917,901	\$ 20,436,195,108

The accompanying notes are an integral part of this schedule.

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

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, and courts that are legally part of the State's primary government and its component units. The Oregon Health and Science University, University of Oregon, Oregon State University, Portland State University, Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, Western Oregon University, State Accident Insurance Fund, State Fair Council, and Oregon Affordable Housing Assistance Corporation are legally separate component units. For the year ended June 30, 2023, 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. Readers may obtain complete financial statements from their respective administrative offices or from the Oregon Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Note 2. DeMinimis Cost Rate

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 3. 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.

Assistance Listing #	Title	Type of Assistance	Value
10.187	The Emergency Food Assistance Program (TEFAP)	Food Commodities	\$ 2,555,222
10.555	National School Lunch Program	Food Commodities	21,371,319
10.558	Child and Adult Care Food Program	Food Commodities	10,474
10.559	Summer Food Service Program for Children	Food Commodities	420,983
10.565	Commodity Supplemental Food Program	Food Commodities	703,510
10.568	Emergency Food Assistance Program (Administrative Costs)	Food Commodities	13,909,796
39.003	Donation of Federal Surplus Personal Property	Surplus Property	1,521,723
93.268	Immunization Cooperative Agreements	Vaccines	51,718,990
	Total		<u>\$ 92,212,017</u>

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Note 4. 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 Assistance Listing 17.225 (Unemployment Insurance Program). Of the \$682,228,562.02 reported as expenditures for the Unemployment Insurance Program, \$596,670,908.72 represents expenditures of State funds held in the Unemployment Trust Fund.

State of Oregon
Schedule of Prior Year Findings

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, 2022. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2021 that were uncorrected at June 30, 2022.

- Finding 2022-001: **Department of Human Services**
 Ensure federal program funding is recorded to the correct program
 Material Weakness
- Recommendation: The agency ensure any new federal programs have the correct coding applied to ensure accurate reporting of federal expenditure by each federal program.
- Status: Partial corrective action was taken. The agency response is as follows:
- The Office of Financial Services has corrected the assistance number for federal reporting for P-EBT. We will continue to review internal procedures to ensure validation steps are included and incorporated in the process for establishing structure to support federal reporting requirements.
-
- Finding 2022-002: **Department of Human Services/Oregon Health Authority**
 Improve internal controls over lease entries
 Material Weakness
- Recommendation: Management strengthen internal controls to ensure leased asset, lease liability, and accumulated amortization is appropriately valued and ensure all leases meeting the criteria of GASB 87 are recorded. We also recommend management strengthen internal controls to ensure expenditures and offsetting other financing sources related to leases are recorded to the appropriate governmental funds.
- Status: Corrective action taken.
-
- Finding 2022-003: **Department of Human Services/Oregon Health Authority**
 Year-end financial entries require additional review to ensure conformity with accounting standards
 Material Weakness
- Recommendation: Management ensure accounting entries are complete, accurate, and made in accordance with accounting standards. Additionally, management should develop and implement a process to modify year-end entries if expected adjustments do not occur within expected timeframes.
- Status: Corrective action taken.

State of Oregon
Schedule of Prior Year Findings

Finding 2022-004: **Department of Administrative Services**
Ensure access control policies and procedures are consistently applied
Significant Deficiency

Recommendation: Department management ensure all established system access internal control policies and procedures are followed when granting new access and control processes are monitored to ensure only authorized users can access and make changes to the state's financial and payroll system data.

Status: Corrective action taken.

Finding 2022-005: **Oregon Business Development Department**
Strengthen accounting procedures
Material Weakness

Recommendation: Management develop and implement procedures to identify and ensure all year end closing entries are recorded in the accounting records and develop written policies and procedures for financial reporting. Additionally, we recommend management develop a process to ensure leases are properly captured and recorded.

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

We have taken the following corrective actions to mitigate the weakness by doing the following.

- Hired a Deputy CFO who started May 1, 2023, to have a fully staffed accounting section.
- The entire accounting section attended or viewed all year-end trainings provided by SARS.
- The Deputy CFO and senior accountants attended or viewed the GASB 94 and 96 training provided by SARS.

Specific to recording leases, we took the following corrective actions.

- We used the TValue software when calculating the principal and interest for the leases the agency has entered into.
- The Deputy CFO and the senior accountants reviewed the lease training provided by SARS.
- We used the entries provided by SARS when making the necessary lease entries.

Specific to recording the necessary bond entries, we took the following corrective actions.

- The senior accountant assigned to debt reviewed the debt training provided by SARS.

State of Oregon
Schedule of Prior Year Findings

- We hired a retiree, with debt experience, to assist us with year-end debt entries.

Specific to properly reporting ARPA money received, we took the following corrective actions.

- The senior accountants reconciled the reported ARPA expenditures to the US Treasury.
- We recognized federal revenue for ARPA for the amount earned for FY2023.

Specific to recording a current portion of loans receivable at year-end, we took the following corrective actions.

- For FY2023 year-end, we reviewed all loans and recorded the amount we expect to receive in the next year.

Although the above corrective actions were taken, this finding is partially resolved as we have not formally documented the above listed procedures.

Finding 2022-006: **Department of Justice**
Improve internal controls over lease entries
Significant Deficiency

Recommendation: Department management implement controls over accounting for capital leases to ensure capital leases and associated accounts are properly valued in the financial records. The department should review its leases to identify and correct the various errors and make correcting entries in the accounting system.

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

All leases have been reviewed and associated amortization schedules are revised using the correct discount rate and payment counts for lease valuation (exclusive of operating expenses and property taxes.)

In addition, to correcting FY22 entries, this activity was necessary to also perform FY23 year-end entries and disclosures. During the year-end close principal/interest reclass process, we identified that monthly payments to the lessor were paid as a single payment and often also included operating expenses and property taxes that should have also been recorded separately. At this time we are reviewing each building monthly payment made in FY22 and FY23, identifying and affirming the non-principal/interest expense portion for the duration, and also reclassifying accordingly. This action is required to complete FY23 entries but also finish correcting FY22 entries.

We are working with SARS to complete FY23 and anticipate FY22 correcting entries, modeled accordingly, to be completed by September 30th.

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Finding 2022-007:	<p>Department of Revenue <u>Consider incorporating actuals in tax accrual calculations and ensure the calculations and reasoning are documented in a methodology</u> Material Weakness</p>
Recommendation:	<p>Department management consider including actual data from the system to the extent possible instead of solely relying on prior year activity that can be impacted when unusual events occur. In addition, the department should ensure its taxes receivable methodology and reasoning is fully documented so can be duplicated and explained.</p>
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>The department is continuing to modify taxes receivable methodology to calculate the best estimate for financial reporting purposes. For FY23, the department incorporated the GenTax taxes receivable report as of June 30 as the basis for known receivables. We also included actual receipts, where possible, to determine the current taxes more accurately to be collected and calculated an uncollectible based on SARS recommended criteria. The department will compare estimated current taxes receivable to actual 90-day revenues to see how accurate our process is and determine what changes may be needed. Our procedures are being updated to reflect a three-year average in the calculation of the allowance for uncollectible accounts.</p>
Finding 2022-008:	<p>Oregon Military Department <u>Ensure construction in progress tracking reconciles to accounting records</u> Significant Deficiency</p>
Recommendation:	<p>Department finish updating the construction in progress tracking records and ensure it reconciles to the accounting records.</p>
Status:	<p>Corrective action taken.</p>
Finding 2022-009:	<p>Oregon State Police <u>Improve controls over accounting of leases</u> Significant Deficiency</p>
Recommendation:	<p>Department management implement controls over accounting for capital leases to ensure capital leases and associated accounts are properly valued in the financial records. Department should also review its leases to identify and correct the various errors and make correcting entries in the accounting system.</p>
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>Additional staffing resources and expertise has been dedicated to reviewing current lease data and formulating the written documentation of the internal</p>

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process to assess all relevant factors, comprehensive review process ongoing and yearly, down to addressing journal entries and ensuring their accuracy and compliance with GASB 87. We are conducting the review process mapping and are expecting to have completed processes by December 1, 2023.

Finding 2022-010: **Oregon Department of Emergency Management**
Improve controls over federal requests for reimbursement
Material Weakness

Recommendation: Department management create and implement procedures for tying the request for reimbursement (RFR) to the expenditure being reimbursed. Additionally, the department should create and implement procedures for archiving financial documents (RFR and expenditures).

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

The Oregon Department of Emergency Management (ODEM), in its management response, agrees with the finding and has been working toward the anticipated completion date of December 31, 2023.

On July 1, 2022, ODEM became a standalone agency. Prior to July 2022, the Office of Emergency Management was housed within the Oregon Military Department (OMD). Past SOS audits have included recommendations for OMD to strengthen controls to ensure financial reports are accurate and adequately supported by accounting records. The Federal Emergency Management Agency (FEMA) also made various recommendations for stronger internal controls and subrecipient monitoring.

ODEM did not inherit from OMD any policies, procedures or protocols relating to tying records to requests for financial reimbursements or archiving financial documents.

The ODEM Chief Financial Officer (CFO) has written and implemented policies on expenditure authority and subrecipient monitoring in response to FEMA and is currently working on policies and procedures for Requests for Reimbursement (RFR) and archiving of financial documents. The CFO is on track to write and implement these policies and procedures by the end of Fiscal Year 2023.

Finding 2022-011: **Oregon Department of Veterans' Affairs**
Knowledge, skills, and abilities necessary to prepare financial statements that are compliant with GAAP require improvement
Significant Deficiency

Recommendation: Department management dedicate resources to training staff responsible for the preparation of the financial statements and notes to the financial statements. We

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also recommend department management implement financial statement preparation procedures.

Status: Corrective action taken.

Finding 2022-012: **Oregon Department of Corrections**
Ensure revenues are properly recorded
Significant Deficiency

Recommendation: Department management ensure year end closing guidance is followed in future years.

Status: Corrective action taken.

Finding 2022-013: **Department of Consumer and Business Services**
Improve reconciliation controls over security deposits
Significant Deficiency

Recommendation: Department management ensure reconciliations are performed.

Status: Corrective action taken.

Finding 2022-014: **Department of Consumer and Business Services**
Implement controls to ensure security deposits are properly valued and accurately and completely reported
Significant Deficiency

Recommendation: Department develop internal controls and processes to ensure year-end balances and inflows and outflows activity are accurately and completely reported and supported by information readily available from trust companies.

Status: Corrective action taken.

Finding 2022-015: **Department of Consumer and Business Services**
Improve controls over prior period correcting entries
Significant Deficiency

Recommendation: Department management establish internal controls to ensure the impacts of correcting entries on fiscal years involved are understood and appropriately reported.

Status: Corrective action taken.

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Finding 2022-016:	Oregon Department of Transportation <u>Recommend retaining support for software beginning balances</u> Significant Deficiency
Recommendation:	Department management ensure staff understand the retention requirements for capital asset costs to ensure that documentation is retained as required.
Status:	Corrective action taken.
Finding 2022-017:	Oregon Liquor and Cannabis Commission <u>Implement procedures for cash handling</u> Significant Deficiency
Recommendation:	Department management implement cash receipting procedures to ensure checks are safeguarded, properly tracked, and accounted for in the financial records in accordance with state policy.
Status:	Partial corrective action was taken. The agency response is as follows: OLCC's original plan to implement appropriate procedures to ensure compliance with state policy by March 31, 2023 were impacted by turnover at the Accounting Manager level in March 2023. In addition, OLCC has conducted further analysis that will require an annual review of whether cash received is immaterial or not. OLCC had previously not been able to conduct that analysis during the FY 2022 audit. OLCC plans to review cash received each fiscal year to determine materiality, and if material implement analytical or other procedures to be compliant with the OAM.
Finding 2021-001:	Department of Human Services/Oregon Health Authority <u>Improve internal controls over the SNAP program</u> Significant Deficiency
Recommendation:	Department management obtain a SOC report over the service organization's internal controls for the ONE application. Management should also ensure post implementation testing and QC reviews take place and determine if the overrides indicate an error in the application's processing. Additionally, we recommend management update review procedures to ensure year-end account balances are supported.
Status:	Partial corrective action was taken. The agency response is as follows: ODHS did the procurement for the ongoing Support of the ONE system. There were three sections that vendors could bid on. SOC audit was part of that area, however, the same vendor won all three areas. Based on that, ODHS will be going and doing a new procurement for a SOC audit to happen regularly on the system, and put the request for funding for this in our agency requested budget. We intend

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to have an independent vendor for SOC in the first quarter of the next biennium, assuming we are legislatively funded.

ODHS in partnership with OHA has continued to test the ONE system, looking at outcomes and determinations around benefits. We are monitoring audits, reviews, and continuing to test to ensure the quality of calculations and have had the lowest level of known defects since the system went live, while implementing multiple new programs and waivers.

ODHS continues to monitor overrides and is looking at opportunities to support and ensure accurate and timely benefits.

Quality Control reviews have continued for programs, findings beyond being submitted to federal partners, are being shared with program and OEP, including QA, to review if there are patterns, training, or system issues that could be addressed to minimize future errors.

In addition to the existing interface processes staff performed a full reconciliation between the SNAP transactions from the ONE system (authorizations) & FIS (usages) to the transactions processed by JV and sent to SFMA. This process has been completed through November 2022. The reports/data needed for this process are currently requested through an adhoc request. In addition to this we are working on the following items:

- Working with OIS to create a monthly automated process to support the monthly reconciliation, including designing additional reports for monitoring “valid” delays in EBT reporting
- Drafting a request to have control reports created from the ONE system that would allow us to enhance our current daily interface validation process between ONE & JV

A readiness assessment was conducted at the beginning of 2023 and the review started in July 2023.

Anticipated Completion Date: September 2023

Finding 2021-003:

Oregon Department of Forestry
Strengthen controls to ensure appropriate receivable balances
Significant Deficiency

Recommendation:

Department management implement controls to ensure compliance with state policy over the billing and collection of accounts receivable. **We also recommend** management strengthen internal controls to ensure receivables are appropriately recorded, reviewed, supported and reported at year end.

Status:

Corrective action taken

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Finding 2021-008:	Oregon Liquor and Cannabis Commission <u>Strengthen controls over statutorily required transfers</u> Significant Deficiency
Recommendation:	Commission management strengthen internal controls to ensure the accounting systems reconcile and that the appropriate amount is being transferred to the General Fund each month.
Status:	Partial corrective action was taken. The agency response is as follows: A temp. had been working on the annual reconciliations since he started in May 2022. That individual is now a permanent employee with the agency. He has completed data entry and reconciled many differences through FY 2020 and is currently working to resolve about 3-4 outstanding reconciliation items per fiscal year from 2018-2022. OLCC plans to continue using the individual who has worked in this role until the reconciliations are caught up. This work has been delayed with the transfer of our prior Accounting Manager to DAS-SARS in April 2023. OLCC plans to complete this work and be fully caught up before the end of calendar year 2023.

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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, 2022. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2021 that were uncorrected at June 30, 2022.

Finding 2022-018: **Oregon Housing and Community Services**
Controls are needed to ensure program expenditures are allowable
14.231 Emergency Solutions Grants Program (COVID-19)
Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Material Weakness; Material Noncompliance
Questioned Costs: \$245,362 (known) (COVID-19)

Initial Year: 2022

Recommendation: Management implement internal controls to ensure subrecipient reimbursements are for allowable expenditures.

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

Contractor was hired to complete monitoring of all non-CAA ESG funded subrecipients. Reviews will be completed by May 2024.

Finding 2022-019: **Oregon Housing and Community Services**
Controls are needed to ensure subrecipients' compliance with equipment and real property requirements
14.231 Emergency Solutions Grants Program (COVID-19)
Equipment and Real Property Management
Material Weakness; Material Noncompliance

Initial Year: 2022

Recommendation: Department management develop internal controls to ensure compliance with federal requirements for equipment and real property.

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

OHCS has instituted a procedure for State FY23 which is on track to be completed for all ESG recipients; this procedure currently includes a notification and approval process for the tracking of the acquisition, rehabilitation, renovation, or conversion of property and separately a vehicle purchase and equipment purchase. We are in the process of refining a control system to ensure adequate safeguards are in place to prevent loss, damage, or theft. Additionally, we are reviewing our maintenance procedures to ensure properties are in good condition.

Vehicle Purchase Request, Equipment Purchase Request, and Equipment/Vehicle Disposition Request Forms have been created. We are in the process of updating our guidance to enforce this requirement.

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Anticipated Completion Date: December 24, 2023

Finding 2022-020:	Oregon Housing and Community Services <u>Controls are needed to ensure buildings renovated for use as emergency homeless shelters are maintained as shelters for the period required</u> 14.231 Emergency Solutions Grants Program (COVID-19) Special Tests and Provisions Material Weakness; Material Noncompliance
Initial Year:	2022
Recommendation:	Agency management develop internal controls to ensure buildings renovated for use as emergency homeless shelters are maintained as shelters for the period required.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>HSD has developed a process and implemented a workflow to track and enforce the use period for building renovated for use as emergency homeless shelters. Below is the brief snapshot outlining that process with the associated forms and reports linked within the document. Please keep in mind that this process is to be completed for each property in which acquisition or rehab/conversion/renovation was totally or partially funded with OHCS funds. Links to each of the associated forms and reports are embedded within the message below.</p> <ul style="list-style-type: none">• Prior to an agency initiating the reno/rehab work takes place, they must notify OHCS via the notification form. In it, we gather information related to the project such as the address, project description, project type (reno/rehab/conversion etc.), identify the restrictive use period, programs funds, amounts, and other information.<ul style="list-style-type: none">○ Once that form is submitted, a PA get notified and they review and approve/deny and follow up.• Once work has started on the project, the agency must submit a 'semi-annual progress report' of the project to report on the projects progress. This progress report is submitted twice a year until the project has been completed.• Once the project has been completed, the agency is required to submit a 'placed into service report.' This report details project name, type, provides the date in which the project was placed into service, allows to report if an increase of units/beds were created because of this project, along with other pertinent information.• Lastly, we require that agencies submit an annual 'certification of compliance of restricted use' which will be required after the project has been completed and must be submitted every year of the restricted use period.

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This process was in place by the end of December 2023 and is currently being followed.

Finding 2022-021: **Oregon Housing and Community Services**
Controls are needed to ensure compliance with level of effort requirements
14.231 Emergency Solutions Grants Program (COVID-19)
Matching, Level of Effort, Earmarking
Significant Deficiency; Noncompliance

Initial Year: 2022

Recommendation: Department management develop procedures to ensure compliance with federal requirements for level of effort and maintain documentation.

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

Level of Effort monitoring is part of program monitoring for State FY23 which is on track to be completed for all ESG recipients. OHCS is in the process of designing a self-certification form for subrecipients to acknowledge and agree to the compliance requirements in which funds may not be used to replace funds the local government provided for street outreach and emergency shelter services.

Monitoring has added this to the Program Compliance Checklist to ensure adherence to self-certification. Self-certification form is entering final stages of review.

Anticipated Completion Date: December 24, 2023

Finding 2022-022: **Oregon Housing and Community Services**
Documentation verifying subrecipients have not been suspended or
debarred needs to be retained
14.231 Emergency Solutions Grants Program (COVID-19)
Procurement and Suspension and Debarment
Significant Deficiency; Noncompliance

Initial Year: 2022

Recommendation: Department management maintain documentation demonstrating subrecipients have not been suspended or debarred.

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

OHCS provided training to procurement team members regarding capturing screen shots of the Sam.gov check and retaining it in the procurement files. Additional training will be provided as turnover has occurred since the original training and additional guidance will be added to clarify that screen shot information is to be added to OHCS' procurement system of record, OregonBuys. OregonBuys guidance documents will be updated to reflect this clarification.

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Anticipated Completion Date: April 30, 2024

- Finding 2022-023: **Oregon Housing and Community Services**
Controls need to be strengthened to ensure the required expenditures are spent timely
14.231 Emergency Solutions Grants Program (COVID-19)
Special Tests and Provisions
Significant Deficiency; Noncompliance
- Initial Year: 2022
- Recommendation: Agency management develop procedures to ensure grant expenditures are adequately tracked and spent within the required time period.
- Status: No further action is warranted. The agency response is as follows:

The underlying requirements that resulted in the prior year finding have since passed.
- Finding 2022-024: **Oregon Housing and Community Services**
Subrecipients need to be monitored to ensure compliance with procurement standards
14.231 Emergency Solutions Grants Program (COVID-19)
Procurement and Suspension and Debarment
Significant Deficiency; Noncompliance
- Initial Year: 2022
- Recommendation: Department ensure subrecipients are monitored for compliance with procurement requirements.
- Status: Partial corrective action was taken. The agency response is as follows:

Contractor was hired to complete monitoring of all non-CAA ESG funded subrecipients. Reviews will be completed by May 2024.
- Finding 2022-025: **Oregon Housing and Community Services**
Perform fiscal monitoring for subrecipients administrative expenditures to ensure compliance
21.023 Emergency Rental Assistance Program (COVID-19)
Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Material Weakness; Material Noncompliance
Questions Costs: \$121,463 (known) (COVID-19)
- Initial Year: 2022
- Recommendation: Department management perform fiscal monitoring to ensure subrecipients are expending administrative funds in accordance with program requirements.

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Status: Corrective action taken.

Finding 2022-026: **Oregon Housing and Community Services**
Implement program monitoring over client assistance payments to ensure compliance

21.023 Emergency Rental Assistance Program (COVID-19)

Activities Allowed or Unallowed; Eligibility

Material Weakness; Material Noncompliance

Questioned Costs: \$21,624 (known); \$11,067,350 (likely) (COVID-19)

Initial Year: 2022

Recommendation: Department management implement predefined, systemic program monitoring to ensure the subrecipients and contractor are administering program funds in accordance with program requirements.

Status: Corrective action taken.

Finding 2022-027: **Oregon Housing and Community Services**
Ensure Monthly and Quarterly reports are accurate and adequately supported

21.023 Emergency Rental Assistance Program (COVID-19)

Reporting

Material Weakness; Material Noncompliance

Initial Year: 2022

Recommendation: Department management update and correct erroneous reports and establish controls to ensure reported amounts are accurate and adequately supported.

Status: Corrective action taken.

Finding 2022-028: **Oregon Housing and Community Services**
Ensure Federal Funding Accountability and Transparency Act reporting is completed

21.023 Emergency Rental Assistance Program (COVID-19)

Reporting

Material Weakness; Material Noncompliance

Initial Year: 2022

Recommendation: Department management ensure FFATA reporting is completed.

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

OHCS has attempted multiple times to submit the FFATA, however the award was never made available to report on within the system. OHCS has also reached out to US Treasury multiple times to confirm that we were not required to report but have yet to hear directly from US Treasury. OHCS was able to confirm and

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received a response from US Treasury that went to another state that grantees were not required to complete the FFATA on the federal reporting website as US Treasury was doing that on behalf of the recipient, and OHCS did share that correspondence with SOS. Although US Treasury has been nonresponsive, OHCS will continue to attempt to obtain a direct response from US Treasury for our own records.

Anticipated Completion Date: December 31, 2023

Finding 2022-029: **Oregon Housing and Community Services**
Ensure accessible documentation to evidence compliance with program requirements
21.023 Emergency Rental Assistance Program (COVID-19)
Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility
Material Weakness

Initial Year: 2022

Recommendation: Department management obtain and reconcile sufficiently detailed subrecipient ledgers and support to substantiate expenditures to allow for fiscal and program monitoring to ensure subrecipients are administering program funds in accordance with program requirements.

Status: Corrective action taken.

Finding 2022-030: **Oregon Housing and Community Services**
Ensure controls over administrative expenditure limits are properly designed and sufficiently detailed to ensure compliance
21.023 Emergency Rental Assistance Program (COVID-19)
Allowable Costs/Cost Principles
Material Weakness

Initial Year: 2022

Recommendation: Department management ensure tracking spreadsheets are properly designed and sufficiently detailed to ensure compliance with administrative expenditures limitations.

Status: Corrective action taken.

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Finding 2022-031:	Oregon Housing and Community Services <u>Comply with subrecipient monitoring requirements</u> 21.027 Coronavirus State and Local Fiscal Recovery Fund (COVID-19) Subrecipient Monitoring Material Weakness, Material Noncompliance
Initial Year:	2022
Recommendation:	Department management reassess the department's contracting process to appropriately identify whether an organization is a vendor or a subrecipient. If a subrecipient, we recommend the department comply with subrecipient monitoring requirements, including developing related internal controls and processes to monitor the expenditures and activities of the organization.
Status:	Partial corrective action was taken. The agency response is as follows: OHCS Central Services Division will develop a process on internal roles/responsibilities of determining subrecipient vs. vendor relationship. Anticipated Completion Date: December 31, 2023
Finding 2022-032:	Oregon Housing and Community Services <u>Ensure subrecipient risk assessments and fiscal monitoring are performed and required grant information is communicated timely to subrecipients</u> 93.568 Low-Income Home Energy Assistance Program 93.568 Low-Income Home Energy Assistance Program (COVID-19) Subrecipient Monitoring Material Weakness, Material Noncompliance
Initial Year:	2022
Recommendation:	Department management ensure subrecipient risk assessments are performed for all subrecipients and ensure required fiscal monitoring activities are performed based on the results of the risk assessments. We also recommend department management ensure all required award information is communicated to subrecipients at the time of the subawards.
Status:	Corrective action taken.

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Finding 2022-033:	<p>Oregon Housing and Community Services <u>Ensure financial reports are submitted</u> 93.568 Low-Income Home Energy Assistance Program 93.568 Low-Income Home Energy Assistance Program (COVID-19) Reporting Material Weakness, Material Noncompliance</p>
Initial Year:	2021
Recommendation:	Department management work with their federal partners to determine if unsubmitted reports should be completed and to ensure reporting compliance in future fiscal periods.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>OHCS submitted 2 of the 4 required reports but was unable to submit the remainder due to technical issues with the federal reporting system. OHCS compiled all requisite reporting information timely and is in correspondence with the federal funder to enable report submission.</p> <p>Efforts continue for staff to obtain the correct access to file older reports.</p> <p>Anticipated Completion Date: December 31, 2023</p>
Finding 2022-034:	<p>Oregon Housing and Community Services <u>Ensure review of subrecipient requests for funds verifies immediate cash needs are supported</u> 93.568 Low-Income Home Energy Assistance Program 93.568 Low-Income Home Energy Assistance Program (COVID-19) Cash Management Significant Deficiency; Noncompliance</p>
Initial Year:	2022
Recommendation:	Department management strengthen internal controls to ensure support for subrecipient requests for funds adequately documents they are appropriate and for immediate cash needs.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>Strong internal controls exist, and costs were eventually substantiated and allowable, however OHCS had significant staff turnover and newer staff processing these advance requests did not gather the level of detail required by OHCS to substantiate draws in a timely manner. Training has been completed for FY23.</p> <p>Additional training was provided to staff recently hired, and a monthly audit report will be reviewed to determine if appropriate justification is in place to support any</p>

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advances. Staff will reach out to the grantees and obtain additional justification to substantiate immediate cash needs when appropriate.

Anticipated Completion Date: June 30, 2024

Finding 2022-035: **Department of Human Services**
Improve controls over benefit time tracking and discontinuance of federal funding

93.558 Temporary Assistance for Needy Families

Allowable Costs/Cost Principles

Material Weakness; Noncompliance

Questioned Costs: \$1,866 (known)

Initial Year: 2022

Recommendation: Department management make timely corrections to federal/state coding splits in the financial subsystem and also make timely corrections in state accounting records. We also recommend the department reimburse the federal agency for unallowable costs.

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

The Department will analyze and identify the missing indicators sent from ONE to the financial subsystems to determine the correct funding stream. The Strategic Systems Unit will put together a TANF funding matrix to be approved by program. Indicators will be corrected through a system defect, a Work Item, or Change Request, depending on the Level of effort to resolve.

Office of Financial Services completed financial adjustments through entry BTCLIV56 on June 9, 2023.

Anticipated Completion Date: December 31, 2023

Finding 2022-036: **Department of Human Services**
Ensure performance data reports are complete and accurate

93.558 Temporary Assistance for Needy Families

Reporting

Material Weakness; Material Noncompliance

Initial Year: 2019

Recommendation: Department management continue to review ACF-199 and ACF-209 reports prior to submission and monitor known compilation defects to ensure performance data reports submitted are complete and accurate. We also recommend department management obtain an annual SOC report over the service organization's internal controls for the ONE application.

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

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The Department continues to review ACF-199 and ACF-209 reports prior to submission to identify and resolve defects. The Department continues to monitor defects, sync up reports design with federal instructions, and progress towards complete and accurate reporting.

The ACF 199 report issue regarding OR-Kids cases with 24 of 45 fields left blank is currently under development; mapping has been identified to rectify the missing data and once fixed, the future submissions will be corrected. The OR-Kids, TANF Policy, and Business Analyst teams met to define the mapping on the ACF 199 and continue to work on remaining clarifications. The reports will be resubmitted to ACF at the end of the current fiscal year (for months October 2022 – Sept 2023) to correct previous data. The issue regarding discrepant case counts between ACF 199 report and OR Kids data extract is under analysis. Child Welfare, TANF, and our technical team will develop a plan for rectifying and reconciling case numbers.

The Department's, Oregon Eligibility Partnership, has contracted for a SOC Type 2 audit, through contract 178884. The first audit review will be utilized to make sure all the reporting requirements and functional areas are in place. This means, the first formal audit finding, based on recommendation from the vendors, will occur in FFY25. Additional internal and external audits are happening on the system.

Anticipated Completion Date: December 31, 2023

Finding 2022-037:	Department of Human Services <u>Improve accuracy of cases reported as noncooperating with child support</u> 93.558 Temporary Assistance for Needy Families Special Tests and Provisions Material Weakness; Material Noncompliance
Initial Year:	2022
Recommendation:	Department management ensure noncooperative child support cases from ONE are completely and accurately reported in its performance data reports.
Status:	Partial corrective action was taken. The agency response is as follows: The Department has logged defects to correct Federal reporting requirements. The ONE system approving eligibility without a cooperation record was addressed through a defect and system build which corrected the issue on May 10, 2023. The Department has logged a defect to correct historic records where referrals were not sent; currently awaiting input from Division of Child Support. The system defect fix for issues identified related to incorrect values of child support cooperation status in ACF reports is currently in the development and testing cycle. Once the fix is deployed, future submissions will have correct data

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for this element. The reports will be resubmitted to ACF at the end of the current fiscal year (for months October 2022 – Sept 2023) to correct previous data.

Anticipated Completion Date: December 31, 2023

Finding 2022-038: **Department of Human Services**
Ensure work participation rate calculation uses verified and accurate data
93.558 Temporary Assistance for Needy Families
Special Tests and Provisions
Material Weakness; Material Noncompliance

Initial Year: 2019

Recommendation: TANF program management ensure the work participation rate is calculated appropriately using verified and accurate participation data in adherence to the department's Work Verification Plan. We also recommend program management review the system of controls and identify where improvements are needed to ensure compliance with the work verification plan.

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

The Department will develop training specific to error trends based on Quality Control audits of the JOBS program, skill enhancement/best practices on collecting and documenting accurate attendance, and technical training on the Department's attendance documentation system, TRACS. The training will be instructor led and offered at minimum on a quarterly basis.

The Department will review and edit tools, resources, and attendance logs to ensure compliance with the work verification plan. Updates made will be communicated to staff working with families receiving TANF.

The Department will also form a workgroup to review the attendance documentation and case management system known as the Transition Referral and Client Self-Sufficiency (TRACS) system. The workgroup will make recommendations to developer, which will include system enhancements and edits to improve the process for staff.

Anticipated Completion Date: April 30, 2024

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Finding 2022-039:	<p>Department of Human Services <u>Improve documentation of required income and benefit verifications</u> 93.558 Temporary Assistance for Needy Families Special Tests and Provisions Material Weakness</p>
Initial Year:	2021
Recommendation:	Department management ensure verification of income and benefits with IEVS screens is clearly documented in client case files when determining client eligibility.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>The Department implemented a new tool, Note Buddy, to assist workers with case notes. Note Buddy includes a file that allows staff to select whether IEVS was checked. Note Buddy was implemented in June 2023. Communication was sent on June 8, 2023, along with a Quick Reference Guide.</p> <p>The Department will form a small workgroup to discuss options for revising and lowering the level of effort for the Change Request (CR) previously submitted. The Department will re-submit the CR for changes to ONE.</p> <p>Anticipated Completion Date: September 30, 2023</p>
Finding 2022-040:	<p>Department of Human Services <u>Improve controls to ensure eligibility criteria are met</u> 93.558 Temporary Assistance for Needy Families Eligibility Significant Deficiency; Noncompliance Questioned Costs: \$9,569 (known); \$931,750 (likely)</p>
Initial Year:	2022
Recommendation:	Department management ensure federally-funded client benefits are paid on behalf of eligible individuals, and documentation is retained to support eligibility decisions. We also recommend department management correct the identified error cases and reimburse the federal agency for questioned costs.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>The Department will communicate to eligibility staff the importance of reviewing information reported by the applicant compared to information received from a third-party and direct staff to case note in the ONE system how the discrepancy was reconciled. The Department will also communicate the requirement to maintain eligibility records in both case notes and electronic file when applicable.</p>

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The Department will review the cases cited and make an appropriate referral to the Overpayment Recovery Unit. Overpayments recouped can then be adjusted by office of Financial Services to credit the TANF federal grant rather than reimbursing, per instructions outlined in TANF-ACF-PI-2006-03.

Anticipated Completion Date: October 31, 2023

Finding 2022-041: **Oregon Health Authority**
Ensure expenditures of federal funds are recorded to the appropriate program
93.958 Block Grants for Community Mental Health Services (COVID-19)
93.959 Block Grants for Prevention and Treatment of Substance Abuse (COVID-19)
Activities Allowed or Unallowed
Material Weakness; Material Noncompliance
Questioned Costs: 93.958 - \$2,268,421 (known COVID-19)

Initial Year: 2022

Recommendation: Department management ensure controls are properly designed and implemented to record only allowable expenditures to the appropriate federal programs.

Status: Corrective action taken.

Finding 2022-042: **Oregon Health Authority**
Ensure expenditures of federal funds are for allowed activities
93.958 Block Grants for Community Mental Health Services
Activities Allowed or Unallowed
Material Weakness; Material Noncompliance
Questioned Costs: \$525,272 (known)

Initial Year: 2022

Recommendation: Department management ensure controls are properly designed and implemented to record only allowable expenditures to the MHBG. We further recommend department management seek SAMHSA approval for minor alterations and renovations.

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

OHA intended to have an interagency agreement with ODHS to co-fund an improvement to a much-needed treatment facility for children. OHA submitted the payment per our agreement with the vendor with the expectation that ODHS would fund the non-SAMHSA allowable expenses. The vendor used the funds for minor safety related renovations as one would expect them to prioritize before programmatic costs. But unfortunately, the ODHS payment was never made to

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OHA which prevented any additional funds from being sent to the vendor. Then, pandemic constraints along with a lack of funding prevented the vendor from being able to finalize their plan in the initial time frame. OHA sought a legal review, and the recommendation was made to cleave the contract from ODHS and allow the vendor additional time to finish their work. Upon cleaving the contract, the elements that OHA knows to be unallowable for SAMHSA funding were left in the contract because the contractor had already performed the work. OHA is awaiting a final review of expenditure reports and will request SAMHSA approval if warranted or adjust funding codes as needed to align with SAMHSA allowable charges.

Anticipated Completion Date: September 30, 2023

Finding 2022-043:

Oregon Health Authority

Implement controls to ensure subrecipients are appropriately identified and monitored

93.958 Block Grants for Community Mental Health Services;

93.959 Block Grants for Prevention and Treatment of Substance Abuse

Subrecipient Monitoring

Material Weakness; Material Noncompliance

Initial Year:

2022

Recommendation:

Department management ensure recipients of federal funds are appropriately identified as subrecipients or contractors and the corresponding disbursement of federal funds are appropriately reported as direct or pass-through expenditures. We further recommend department management comply with subrecipient monitoring requirements, develop and implement internal controls to ensure risk assessments are performed and documented for each subrecipient, and monitoring activities are completed and documented according to risk assessment results.

Status:

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

HSD Contracts team has already implemented additional checklists to ensure subrecipients and vendors are identified and coded properly. We will be making the checklist automated through our grant management process and fully implemented by this fall.

To fully comply with subrecipient monitoring requirements and ensure oversight, the authority will provide additional training to all active agreement administrators immediately (this was completed 2/29/24). The authority is also in discussions with the Office of Contracts & Procurement and Business Information Systems to procure a grant management software that will allow us to have better oversight over agreement administrators and their corresponding compliance monitoring documentation. OHA is also recruiting for a new position that will be the

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Behavioral Health Quality Assurance Manager who will have direct accountability to ensure subrecipient monitoring is completed timely and thoroughly.

Anticipated Completion Date: September 30, 2023

Finding 2022-044: **Oregon Health Authority**
Implement a consistent methodology for calculation of maintenance of effort
93.958 Block Grants for Community Mental Health Services;
93.959 Block Grants for Prevention and Treatment of Substance Abuse
Matching, Level of Effort, Earmarking
Material Weakness

Initial Year: 2022

Recommendation: Department management implement controls to ensure applicable expenditures are adequately tracked and calculations applicable to the maintenance of effort requirements are consistently performed across fiscal years. We further recommend department management work with the federal awarding agency to submit corrected maintenance of effort totals to ensure appropriateness of future maintenance of effort determinations.

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

There were inconsistencies in how Maintenance of Effort (MOE) has been calculated. The applicable expenditures were not consistently or accurately calculated in each state fiscal year. The use of Marijuana paid expenses were not consistently used for both Mental Health and Substance Abuse Block Grant. We have met with SAMHSA MHBG State Project Office (SPO) for clarification on how Marijuana funds can be utilized in the calculation for the MOE. We have received guidance and clarification. We have recalculated MOE for the Block grants for SFY2022, SFY2021, and SFY2020 and are still doing data checks on these recalculations. With any changes to be made to previous years' MOE calculations, we must resubmit the request and reasons behind the changes to the SAMHSA project officers. HSD Budget is working on a written desk procedures to ensure applicable expenditures are adequately tracked and calculated to the maintenance of effort requirements and are consistently performed.

Anticipated Completion Date: February 28, 2024

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Finding 2022-045:	<p>Oregon Health Authority <u>Submit required FFATA reports</u> 93.268 Immunization Cooperative Agreements; 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases; 93.958 Block Grants for Community Mental Health Services; 93.959 Block Grants for Prevention and Treatment of Substance Abuse Reporting Significant Deficiency; Noncompliance</p>
Initial Year:	2022
Recommendation:	Department management resume FFATA reporting as soon as feasible and ensure all necessary subawards are reported. We further recommend department management implement controls to ensure all subawards are appropriately tracked and reported.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>On April 4, 2022, the federal government made a switch in the identifying information required for a subrecipient, changing from the previously used DUNS to a newly assigned Unique Entity Identifier (UEI). ODHS/OHA was not made aware of the upcoming federal switch until late March 2022. OHA's Office of Contracts & Procurement (OC&P) is working directly with Program Contract Administrator's to request the missing UEIs. As the data comes in from Program it is being validated for accuracy and updated in the appropriate systems, so when all missing UEIs from a given FAIN's report month are collected, all NTE changes can be made immediately. OC&P is confident all FFATA reporting related to this audit will be submitted by August 31, 2023.</p> <p>Anticipated Completion Date: August 31, 2023</p>
Finding 2022-046:	<p>Oregon Health Authority <u>Ensure cash draws are made only for immediate cash needs</u> 93.959 Block Grants for Prevention and Treatment of Substance Abuse Cash Management Significant Deficiency; Noncompliance</p>
Initial Year:	2022
Recommendation:	Management ensure controls over the draw process are designed and implemented to review and identify calculation errors.
Status:	Corrective action taken.

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Finding 2022-047:	Oregon Health Authority <u>Implement controls to comply with subrecipient monitoring requirements</u> 93.788 Opioid STR (Non-major program) Subrecipient Monitoring Significant Deficiency; Noncompliance
Initial Year:	2019
Recommendation:	Department management comply with subrecipient monitoring requirements by implementing and documenting a procedure that evaluates each subrecipient's risk of noncompliance for the purpose of determining and performing the appropriate monitoring for each subrecipient. We also recommend department management implement procedures to ensure federal subrecipient versus contractor determinations result in accurate reporting on the SEFA.
Status:	Partial corrective action was taken. The agency response is as follows: To comply with subrecipient monitoring requirements, the authority will implement our documented procedures. We will evaluate subrecipient's risk of noncompliance for the purpose of determining and performing the appropriate monitoring for each subrecipient. We will ensure each subrecipient completes the grantee self-risk assessment survey we've created; once completed and submitted this survey will generate a monitoring guidance document based on if the grantee was determined low, moderate, or high risk. This risk assessment survey and guidance document will help inform appropriate subrecipient monitoring. The auto-generated word document is emailed to the identified OHA staff, stored in the software's report, and can be accessed by staff on an OHA intranet page (OWL site). Additionally, the authority will ensure accurate federal subrecipient versus contractor determinations. We will evaluate and improve current determination procedures, develop a comprehensive checklist or guidance document based on improvement recommendations, determine who has the primary responsibility for subrecipient determinations, and provide training as needed. Anticipated Completion Date: December 31, 2023
Finding 2022-048:	Oregon Health Authority <u>Improve review of federal performance progress reports</u> 93.788 Opioid STR (Non-major program) Reporting Significant Deficiency
Initial Year:	2019
Recommendation:	Department management implement internal controls to ensure performance progress reports are complete and accurate prior to report submission.

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Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>To ensure performance progress reports are complete and accurate prior to report submission, the department will review current internal controls and plans to implement revised or new controls. The current process steps we are reviewing include:</p> <ul style="list-style-type: none">• Sending the completed report via email to the program manager requesting they review the report for completeness and accuracy.• Documenting approval via email confirmation that the report is complete and accurate prior to submission to federal funders. <p>There is a need to revisit the internal control of having only managers designated to review the federal performance progress reports; we plan to discuss having the following individuals designated to conduct this review: principal investigator, grant coordinator, active partner, or manager.</p> <p>Anticipated Completion Date: December 31, 2023</p>
Finding 2022-049:	<p>Oregon Health Authority <u>Return overdraw of reclassified FEMA expenditures</u> 93.268 Immunization Cooperative Agreements (COVID-19) 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (COVID-19) Activities Allowed or Unallowed Significant Deficiency; Noncompliance Questioned Costs: 93.268 - \$36,783 (known) (COVID-19); 93.323 - \$73,333 (known) (COVID-19)</p>
Initial Year:	2022
Recommendation:	Department management correct the entries and reimburse excess cash drawn to the federal agency for unallowable costs. We also recommend department management revise the review procedures to verify that the same expenditure transactions are not duplicated in multiple batches.
Status:	Corrective action taken.

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Finding 2022-050:	Oregon Health Authority <u>Improve review of expenditure transactions</u> 93.268 Immunization Cooperative Agreements (COVID-19) Activities Allowed or Unallowed; Allowable Costs/Cost Principles Significant Deficiency
Initial Year:	2022
Recommendation:	Management implement procedures to ensure that all employee payroll submissions are properly reviewed, and payroll is appropriately charged to the correct cost center or program.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>The Oregon Immunization Program (OIP) section manager immediately notified all supervisory managers and administrative support staff of the finding on June 5th. Finding: “As part of our testing of program expenditures, we found that 3 of 134 timesheets were not reviewed by a manager prior to release into the payroll system.” Supervisory managers were reminded that it is an expectation of their position to ensure that payroll time entries are thoroughly reviewed, and discrepancies resolved, and final entries approve according to agency requirements – on time, every month.</p> <p>On June 5th, program administrative staff and the section manager began development of an internal standard operating procedure (SOP) that will thoroughly document the steps the program requires of supervisory managers to assure that all employee payroll submissions are properly reviewed, and payroll is appropriately charged to the correct cost center or program. The final SOP will be signed by each supervisory manager in the program, and included in a quarterly Performance, Accountability and Feedback (PAF) session between each supervisory manager and the section manager.</p> <p>The final SOP will be delivered to the offices of the Secretary of State Audit Division, and DAS once approved by the Division management, and signed by each OIP supervisory manager.</p> <p>This finding and the resolution will be shared as well with our funder, the Centers for Disease Control and Prevention, as required by our cooperative agreement.</p> <p>Anticipated Completion Date: July 5, 2023</p>

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Finding 2022-051:	Oregon Health Authority <u>Correct expenditures charged to the incorrect program</u> 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (COVID-19) Activities Allowed or Unallowed Significant Deficiency, Noncompliance Questioned Costs: \$356,060 (COVID-19)
Initial Year:	2022
Recommendation:	Management correct the accounting error and ensure the expenditures are charged to the correct programs. We also recommend the department determine if there are additional questioned costs relating to the advanced cash draw as the federal programs have different timing for federal reimbursements.
Status:	Corrective action taken.
Finding 2022-052:	Oregon Health Authority <u>Improve review of expenditure transactions</u> 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (COVID-19) Activities Allowed or Unallowed; Allowable Costs/Cost Principles Significant Deficiency; Noncompliance Questioned Costs: \$35,416 (known) (COVID-19)
Initial Year:	2022
Recommendation:	Management ensure wireless device charges are properly reviewed, and expenditures are charged to the correct cost center or program. We also recommend management implement procedures to ensure all employee payroll submissions are reviewed and approved by program management.
Status:	Corrective action taken.
Finding 2022-053:	Oregon Health Authority <u>Improve financial reporting accuracy</u> 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (COVID-19) Reporting Significant Deficiency; Noncompliance
Initial Year:	2021
Recommendation:	Department management maintain the necessary internal controls to ensure the monthly financial reports are accurate and agree to the accounting records.
Status:	Corrective action taken.

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Finding 2022-054:	Department of Human Services/Oregon Health Authority <u>Improve controls over payments for Medicaid clients</u> 93.777 and 93.778 Medicaid Cluster Activities Allowed or Unallowed; Allowable Costs/Cost Principles Significant Deficiency, Noncompliance
Initial Year:	2022
Recommendation:	Department and authority management strengthen controls over the OR-PTC system to ensure transactions are adequately supported and reviewed.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>The department is engaged in ongoing efforts to mitigate this risk through continued communications with local offices and their leadership around the importance of correct data entry and reviewing changes to our KPI's that we report quarterly to CMS.</p> <p>Regional Readiness Coordinators (RRCs) provide training, reinforce best practices, review business processes, and provide feedback on issues we are seeing to reduce incidences of human error. The department will also continue to review and research authorizations for Mileage and Time entries that do not align with existing claims to determine where additional RRC support is needed.</p> <p>Several system enhancements and changes slated for June 2023 are intended to help providers claim time accurately and reduce local office workload associated with reviewing pending entries. This will not fully resolve the issues noted by SOS, however, implementation of phase 2A of the Provider Time Capture System, which is scheduled to go into production July 12, 2024, will eliminate the need for local offices to manually enter mileage or hours into the mainframe payment systems and will automatically flag discrepancies between OR PTC DCI and the Mainframe.</p> <p>The department has corrected all identified issues discovered through the audit process.</p> <p>Anticipated Completion Date: July 31, 2024</p>

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Finding 2022-055: **Department of Human Services/Oregon Health Authority**
Strengthen review over direct costs charged to the program
93.777 and 93.778 Medicaid Cluster
Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: \$47,942 (known)

Initial Year: 2022

Recommendation: Department and authority management strengthen controls over review to ensure transactions are adequately supported and reviewed. Additionally, we recommend the authority reimburse the federal agency for unallowable costs.

Status: Corrective action taken.

Finding 2022-056: **Department of Human Services/Oregon Health Authority**
Return questioned costs related to 2019-014 audit finding
93.777 and 93.778 Medicaid Cluster
Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Noncompliance
Questioned Costs: \$348,080 (known)

Initial Year: 2019

Recommendation: Authority management reimburse the federal agency for unallowable costs.

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

As indicated in the report and as of January 1, 2020, authority management updated the MMIS data tables to ensure all future provider payments were made at the correct rate. Additionally, authority management updated control procedures to ensure MMIS data tables are updated timely and accurately. The recoupment of funds paid for incorrect rates will be completed through the FFS cost settlement process. We expect to have this completed on or before June 30, 2024. We will evaluate the use of alternate recoupment processes in the event of future corrections.

Anticipated Completion Date: June 30, 2024

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Finding 2022-057:	Department of Human Services/Oregon Health Authority <u>Improve documentation for provider eligibility determinations and revalidations</u> 93.777 and 93.778 Medicaid Cluster Special Tests and Provisions Significant Deficiency
Initial Year:	2021
Recommendation:	Department management strengthen controls to ensure documentation supporting a provider's eligibility determination and revalidation is complete.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>ODDS Response: The department is committed to having completed I-9 forms on file for all Personal Support Workers through our Fiscal Intermediary. The Provider Enrollment Unit now has a quality assurance staff who will conduct spot checks of the FI work. This is in process now and reviews will continue. ODDS has also just implemented in our fiscal intermediary's contract to now perform a stricter I9 processing. They will now be implementing tighter controls and stricter criteria for the corresponding documents that are required when accepting new I9.</p> <p>APD Response: The department is committed to having completed I-9 forms on file for all employees and homecare workers. This expectation, as it relates to homecare workers, was reinforced by the department at the Client Employment Program Annual Summit held on 3/28/23 and 3/29/23. This Summit was attended by approximately 160 local office staff. Local office staff were instructed on how to properly fill out the I-9 form and retention requirements. Staff were also reminded of resources available to answer questions, including central office points of contact.</p> <p>The department is also exploring short- and long-term solutions to mitigate this risk, including creating a peer review process on business procedures across the state intended to assist in not only accuracy, but knowledge transfer, developmental growth, and mentoring opportunities. The department may also explore system changes that would automatically validate the completion of tasks related to provider enrollment and renewals, including the presence of required documentation. We are exploring the option of using e-Verify for validation of I9s, for both central office and at the local office level.</p> <p>Anticipated Completion Date: August 31, 2023</p>

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Finding 2022-058:	<p>Department of Human Services <u>Perform timely reconciliations of refinanced OR-Kids transactions</u> 93.667 Social Services Block Grant Period of Performance Significant Deficiency; Noncompliance Questioned Costs: \$1,308,457 (likely)</p>
Initial Year:	2022
Recommendation:	<p>Department management conduct more timely reconciliations of OR-Kids refinancing adjustments to ensure adjustments are made during the related periods of performance. We further recommend management work with its federal awarding agency to determine if it is appropriate to backfill program expenditures between grants to account for the reduction in expenditures created by the reconciliation process. If not appropriate, the questioned costs should be repaid to the federal awarding agency.</p>
Status:	<p>No further action is warranted. The agency response is as follows:</p> <p>The agency disagrees with this finding.</p> <p>SFMA grant phase is an internal tracking mechanism only and is not mandated by ACF. None of the expenditures observed were moved into or out of the period of performance for which they originally qualified for.</p> <p>SSBG awards have a two-year period of performance for claiming. As a result, there is an overlap between internal phases where expenditures qualify for two at any given time. Assignment of phase in SFMA is based on internal balancing needs to ensure claiming is not over or under the award for that period.</p> <p>Prior period adjustments occur periodically and are debited or credited to the phase they were originally recorded under. Should those adjustments cause a phase to become under or over reported, the assigned phase in SFMA is adjusted to maintain consistency between SFMA expenditures and the SF-425 report provided to ACF. If a prior period increasing expenditure is outside the period of performance, it is moved to non-reportable and state only funding.</p> <p><i>ACF Decision and Action Taken</i></p> <p>The ACF does not sustain the finding and recommendation. The ACF agrees with the recipient response regarding their process of reconciliation of transactions. Based upon the response and the corrective actions taken, questioned costs totaling \$1,308,457 are not sustained.</p>

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Finding 2022-059:	Department of Human Services <u>Ensure issued benefits are accurate</u> 10.542 Pandemic EBT Food Benefits (COVID-19) Activities Allowed or Unallowed Significant Deficiency; Noncompliance Questioned Costs: \$3,692,215 (known); \$13,554,666 (likely) (COVID-19)
Initial Year:	2022
Recommendation:	DHS perform review to identify any additional discrepancies between benefits paid and the institutions reported status, to determine if payments were appropriate, and communicate with the federal awarding agency to determine if repayment is necessary.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>We respectfully disagree with the findings that schools were not able to directly update their learning mode according to the guidance provided in the P-EBT state plan.</p> <p>The department has included emails and documents that support the actions/decisions taken in the delivery of the Oregon P-EBT school year 2020-2021 state plan was in accordance with federal approval from Food and Nutrition Service (FNS).</p> <p>According to the USDA FNS approval letter received on May 7, 2021, and posted to the FNS website, FNS confirms that Oregon will “develop(ed) a centralized database to collect student eligibility information and school status” to determine the monthly benefit level for each school (6th bullet on page 2).</p> <p>This information is also confirmed in email correspondence with FNS on April 29, 2021, and May 3, 2021. Within the email the Department details that Oregon will develop a database to collect school status, this is then confirmed by FNS.</p> <p>As part of Oregon’s federally approved simplified assumptions, the state plan allows the school points of contact to update their predominate learning model for each month of the 2020-2021 school year, which may be different than the Ready Schools, Safe Learners (RSSL) Weekly Status Report.</p> <p>An email communication was shared with all identified school points of contact on June 28, 2021. This email requested that school points of contact update their schools predominate learning mode into the Oregon School Meals Benefit (OSMB) system used by the Oregon Department of Human Services to issue P-EBT benefits no later than July 13, 2021.</p> <p>Information reported through the RSSL weekly status report was used to determine the predominate learning mode only in the event that the school point of</p>

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contract did not update a learning mode manually within OSMB prior to July 13, 2021.

On May 9, 2023, the P-EBT policy team confirmed school operating status during the selected months with 5 schools for SOS audit. Email responses from the schools are summarized below:

School ID	School Name	Audit Month/YR	Reported Learning Mode	Paid Learning Mode	School confirmed paid learning mode: Y/N
162	Scappoose High	April 2021	On-site	Distance (CDL)	Y – Distance (CDL)
97	Boring Middle	March 2021	Hybrid	Distance (CDL)	Y – Distance (CDL)
474	Keno Elem	April 2021	On-site	Hybrid	Y - Hybrid
1270	Sexton Mountain Elem	April 2021	Hybrid	Distance (CDL)	N - Hybrid

At the recommendation of the auditors the Department has reached out to FNS Child Nutrition Program and SNAP program about the finding on June 8, 2023, and we are waiting for a response.

Finding 2022-060: **Higher Education Coordinating Commission**
Strengthen controls to ensure expenditures are not obligated beyond the period of performance

17.258 WIOA Adult Program
17.259 WIOA Youth Activities
17.278 WIOA Dislocated Workers Formula Grant
Period of Performance
Significant Deficiency; Noncompliance
Questioned Costs: \$47,523 (known)

Initial Year: 2022

Recommendation: Department management review and revise controls to ensure expenditures are only obligated during the period of performance federally mandated dates.

Status: Corrective action taken.

Finding 2022-061: **Higher Education Coordinating Commission**
FFATA reports were not prepared or submitted

17.258 WIOA Adult Program
17.259 WIOA Youth Activities
17.278 WIOA Dislocated Workers Formula Grant
Reporting
Significant Deficiency; Noncompliance

Initial Year: 2022

Recommendation: Department management implement controls to timely prepare and submit the monthly FFATA reports as required by federal regulations. The department should

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also work with the federal awarding agency to determine what actions it should take for older reports not submitted.

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

The HECC has implemented procedures to ensure timely entry into the FFATA Subaward Reporting System (FSRS) of all awards that equal or exceed \$30,000. HECC completed these procedures as of May 2023, but hadn't started the new process of submitting subaward to FSRS until February 2024. Because the HECC didn't get its FFATA submitted until February 2024, they need to change our "completed action" to "partial corrective action" for this finding. There were no reports to submit, nevertheless, the HECC had documented zero subawards. The HECC going forward, has in its procedures to record in an activity log to document in the event when there are zero subawards to submit to FSRS.

Finding 2022-062: **Higher Education Coordinating Commission**
Improve controls over payroll
17.258 WIOA Adult Program
17.259 WIOA Youth Activities
17.278 WIOA Dislocated Workers Formula Grant
Allowable Costs/Cost Principles
Significant Deficiency

Initial Year: 2022

Recommendation: Department management ensure timesheets are timely reviewed and positions descriptions are completed and retained.

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

The HECC didn't anticipate the new Workday Payroll System has features that allowed automatic authorization. There were two HECC employees' timesheets that had mass authorization from January 2023-June 2023. Therefore, need to change its "completed action" to partial corrective action' for unapproved payroll timesheets. HECC acknowledges this and will be working with Management staff to ensure timesheets are reviewed and approved by management staff and not let it process by the workday payroll system automatically.

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Finding 2022-063: **Oregon Department of Transportation**
Consistency needed when providing required federal award information to subrecipients
20.205 Highway Planning and Construction
Subrecipient Monitoring
Significant Deficiency; Noncompliance

Initial Year: 2022

Recommendation: The department adopt procedures for preparing subaward agreements that ensure all required information is provided to subrecipients at the time of the subaward.

Status: Partial corrective action was taken. The agency response is as follows:
The Department will implement the following:

- 1) Communicate to all Program Managers of federal funds the requirements of sending the FMIS document to the subrecipient. The FMIS document includes the FAIN, Award Date and starting 6/1/23 will also include the UEI.
- 2) Procurement will ensure the exhibit included with the agreement is completed and returned by the subrecipient.
- 3) Identify a staff person to enter data in the FFATA Subaward Reporting System (FSRS).

Finding has been partially resolved. It is a substantial workload that will take several months to update the FSRS website manually with information on every active sub-recipient project.

Anticipated Completion Date: March 31, 2024

Finding 2022-064: **Oregon Department of Transportation**
Management should ensure timely review of transfers is documented
20.205 Highway Planning and Construction
Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Significant Deficiency

Initial Year: 2022

Recommendation: Management ensure procedures for review of transfer journal entries result in timely documented approvals.

Status: Partial corrective action was taken. The agency response is as follows:
As Federal Aid Funding staff members complete the work and documentation for the transfers, the documents will be moved immediately from personal share drives to the shared printing folder. Until electronic signatures are implemented, a Federal Aid Funding staff member will be required to print the hard copies, in the

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office at least monthly; as well as a member of the Statewide Investments Section management team will need to be present to sign the hard copies.

Anticipated Completion Date: April 30, 2024

Finding 2022-065: **Oregon Department of Education**
State did not meet maintenance of effort requirement
84.425C, 84.425D, 84.425R, 84.425U & 84.425W
Education Stabilization Fund (COVID-19)
Matching, Level of Effort, Earmarking
Material Weakness; Noncompliance

Initial Year: 2022

Recommendation: Department management continue to actively track whether it will meet the maintenance of effort requirement and work with the federal awarding agency.

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

ODE worked with federal partners to achieve compliance and submitted a waiver to the US Department of Education on 3/29/2023. The waiver was approved on 7/31/2023.

Anticipated Completion Date: June 30, 2024

Finding 2022-066: **Oregon Department of Education**
Improve subrecipient monitoring procedures
84.425C, 84.425D, 84.425U & 84.425W
Education Stabilization Fund (COVID-19)
Subrecipient Monitoring
Significant Deficiency; Noncompliance

Initial Year: 2022

Recommendation: Department management complete its risk assessment, consider the results of LEAs single audits and perform desk or on-site monitoring as necessary.

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

ODE finalized and implemented a risk assessment tool in the spring of 2023 and has completed an initial set of ten monitoring desk reviews with districts. Twenty districts have been chosen for monitoring desk reviews in the fall of 2023 and twenty more will be chosen in the spring of 2024.

Anticipated Completion Date: June 30, 2024

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Finding 2022-067:	Oregon Department of Education <u>Ensure accuracy of federal reporting</u> 84.425C Education Stabilization Fund (COVID-19) Reporting Significant Deficiency; Noncompliance
Initial Year:	2022
Recommendation:	Department management ensure that accurate expenditure data is submitted to the federal government for federal reporting.
Status:	Corrective action taken.
Finding 2021-009:	Department of Human Services <u>Ensure performance data reports are complete and accurate</u> 93.558 Temporary Assistance for Needy Families (TANF) Reporting Material Weakness; Material Noncompliance
Initial Year:	2018
Recommendation:	Department management ensure system requirements used to prepare the ACF-199 and ACF-209 are appropriate to ensure compliance and implement review procedures to ensure performance data reports submitted are complete and accurate. We also recommend department management obtain an annual SOC report over the service organization's internal controls for the ONE application.
Status:	Partial corrective action was taken. The agency response is as follows: The Department continues to review ACF-199 and ACF-209 reports prior to submission to identify and resolve defects. The Department continues to monitor defects, sync up reports design with federal instructions, and progress towards complete and accurate reporting. The Department's, Oregon Eligibility Partnership, has contracted for a SOC Type 2 audit, through contract 178884. The first audit review will be utilized to make sure all the reporting requirements and functional areas are in place. This means, the first formal audit finding, based on recommendation from the vendors, will occur in FFY25. Additional internal and external audits are happening on the system. Anticipated Completion Date: December 31, 2023

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Finding 2021-010:	<p>Department of Human Services <u>Ensure work participation rate calculation uses verified and accurate data</u> 93.558 Temporary Assistance for Needy Families (TANF) Special Tests and Provisions Material Weakness; Material Noncompliance</p>
Initial Year:	2019
Recommendation:	TANF program management ensure the work participation rate is calculated appropriately using verified and accurate participation data in adherence to the department's Work Verification Plan. We also recommend program management review the system of controls and identify where improvements are needed to ensure compliance with the work verification plan.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>The Department will develop training specific to error trends based on Quality Control audits of the JOBS program, skill enhancement/best practices on collecting and documenting accurate attendance, and technical training on the Department's attendance documentation system, TRACS. The training will be instructor led and offered at minimum on a quarterly basis. The Department will review and edit tools, resources, and attendance logs to ensure compliance with the work verification plan. Updates made will be communicated to staff working with families receiving TANF. The Department will also form a workgroup to review the attendance documentation and case management system known as the Transition Referral and Client Self-Sufficiency (TRACS) system. The workgroup will make recommendations to developer, which will include system enhancements and edits to improve the process for staff.</p> <p>Anticipated Completion Date: April 30, 2024</p>
Finding 2021-011:	<p>Department of Human Services <u>Improve documentation of required income and benefit verifications</u> 93.558 Temporary Assistance for Needy Families (TANF) Special Tests and Provisions Material Weakness; Material Noncompliance</p>
Initial Year:	2021
Recommendation:	Department management ensure verification of income with IEVS screens is clearly documented in client case files when determining client eligibility. We also recommend management develop policies and procedures directing case workers to document their review of the IEVS screens in ONE, the new case management system.
Status:	Partial corrective action taken. The agency response is as follows:

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The Department is implementing a new tool, Note Buddy, to assist workers with case notes when determining eligibility. Note Buddy will include a field that allows staff to select whether IEVS was checked. Staff will be encouraged, not mandated, to use Note Buddy. The Department will form a small workgroup to discuss options for revising and lowering the level of effort for the Change Request (CR) previously submitted. The Department will re-submit the CR for changes to ONE.

Anticipated Completion Date: September 30, 2023

Finding 2021-012: **Oregon Housing and Community Services Department**
Ensure financial and Federal Funding Accountability and Transparency Act reports are submitted

93.568 Low-Income Home Energy Assistance Program (LIHEAP)
Reporting

Material Weakness; Material Noncompliance

Initial Year: 2021

Recommendation: Department management ensure outstanding financial and FFATA reports are completed and submitted, and allocate sufficient staff resources to ensure compliance with reporting requirements in future fiscal periods.

Status: Corrective action taken.

Finding 2021-013: **Oregon Housing and Community Services Department**
Ensure documentation is maintained to support amounts reported and review of reports

93.568 Low-Income Home Energy Assistance Program (LIHEAP)
Reporting

Significant Deficiency; Noncompliance

Initial Year: 2021

Recommendation: Department management ensure adequate controls are in place to ensure documentation is maintained to support amounts reported and reports are reviewed prior to submission.

Status: Corrective action taken.

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Finding 2021-016: **Department of Human Services**
Timely review foster care maintenance payment rates for continuing appropriateness

93.658 Foster Care – Title IV-E
Special Tests and Provisions
Significant Deficiency

Initial Year: 2021

Recommendation: Department management ensure reviews of maintenance payment rates for continuing appropriateness are conducted timely and in compliance with department rules.

Status: Corrective action taken.

Finding 2021-017: **Department of Human Services**
Improve controls and compliance over hospitals and long-term care facility audits

93.777, 93.778 Medicaid Cluster
Special Tests and Provisions
Significant Deficiency; Noncompliance

Initial Year: 2021

Recommendation: Department management strengthen controls to ensure the long-term care facility's administrator compensation does not exceed the prorated maximum compensation limit for administrators who average less than 40 hours a week. We also recommend authority management strengthen controls to ensure evidence of review is maintained and readily available.

Status: Corrective action taken.

Finding 2021-024: **Department of Education**
Implement controls to ensure accuracy of federal reporting

84.425D Education Stabilization Fund (ESF)
Reporting
Material Weakness; Noncompliance

Initial Year: 2021

Recommendation: Department develop a process to ensure that accurate expenditure data is submitted to the federal government for federal reporting.

Status: Corrective action taken.

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Finding 2021-025:	<p>Department of Education <u>Improve subaward reporting under the Federal Funding Accountability and Transparency Act</u> 84.010 Title I Grants to Local Educational Agencies 84.425D Education Stabilization Fund (ESF) Reporting Significant Deficiency; Noncompliance</p>
Initial Year:	2021
Recommendation:	Department management implement controls to ensure the monthly FFATA reports are independently reviewed to ensure accurate and complete reporting of required subaward information. We further recommend department management ensure the required subaward information is reported for the nine subawards identified in our testing.
Status:	<p>Partial corrective action was taken. The agency response is as follows:</p> <p>ODE has reviewed previously reported data and identified missing or duplicate reports and is continuing to work with FSD (FSRS) and USA Spending helpdesk staff to ensure the reporting systems reflect the accurate/corrected data. Anticipated completion by 9/30/23, as the federal systems update the reports that have been submitted.</p>
Finding 2021-026:	<p>Department of Education <u>Implement documented methodology and review controls over State Level of Effort</u> 84.027, 84.173 Special Education Cluster (IDEA) Level of Effort Significant Deficiency</p>
Initial Year:	2021
Recommendation:	Department management documents its methodology to ensure the annual level of effort calculation is consistently performed and document review of the calculation before the total is entered into the grant applications.
Status:	Corrective action taken.

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Finding 2021-027:	Department of Human Services <u>Improve controls over EBT card security</u> 10.551, 10.561 Supplemental Nutrition Assistance Program (SNAP) Cluster Special Tests and Provisions Significant Deficiency, Noncompliance
Initial Year:	2021
Recommendation:	Department management implement a consistent process to verify branch offices are conducting required inventory and accurately completing inventory control logs.
Status:	Partial corrective action was taken. The agency response is as follows: To help mitigate issues, we have put in place quarterly business meetings to discuss business reviews, ongoing huddle meetings, and reviewing groups to look at each other's business reviews. We are developing a SmartSheet inventory tool to be rolled out in August of 2023 that will be mandatory and monitored to make sure it is completed monthly. Reminders will be sent to those that have not responded within given timeframe.
Finding 2021-028:	Oregon Military Department <u>Strengthen controls to ensure expenditures are not obligated beyond the period of performance</u> 12.401 National Guard Military Operations and Maintenance Projects Period of Performance Significant Deficiency; Noncompliance Questioned Costs: \$150,544, Known
Initial Year:	2020
Recommendation:	Department management implement controls to ensure payroll expenditures are recorded in the correct federal grant year.
Status:	Corrective action taken.
Finding 2021-031:	Oregon Department of Fish and Wildlife <u>Perform consistent inventory and monitoring of capital assets, including real property</u> 15.605, 15.611, 15.626 Fish and Wildlife Cluster Equipment and Real Property Management Significant Deficiency; Noncompliance
Initial Year:	2020
Recommendation:	Department management ensure the configuration and implementation of the asset management software is completed and an annual physical inventory of all capital assets, including an annual visual inspection (either physically or through the use of satellite imagery) of all land and land improvements is performed.

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

The Department concluded entering historical land records into the Asset Management System in July 2023. In addition to standard information such as historical cost and location, land records also include images/scans of transactional documentation, as well as satellite images of each land parcel. With a full register of land holdings now compiled, regional managers will be responsible for inspecting each plot to ensure property is used in accordance with its originally intended purpose. The anticipated completion date for the physical inventory remains June 30, 2024.

Finding 2021-033: **Oregon Business Development Department**
Strengthen controls to ensure subawards are used for authorized purposes
21.019 Coronavirus Relief Fund
Allowable Costs/Cost Principles; Subrecipient Monitoring
Significant Deficiency; Noncompliance
Questioned Costs: \$24,573 (known); \$61,782 (likely)

Initial Year: 2021

Recommendation: Department management strengthen controls to ensure subawards are used for authorized purposes. We also recommend department management reimburse the federal agency for unallowable costs.

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

We have taken the following corrective actions to strengthen controls surrounding subawards are used for authorized purposes.

- During the SEFA reporting for year-end, we reviewed each federal grant and reviewed the expenditures on the subrecipient reports.
- Reviewed all applicable federal awards trainings provided by DAS.

The following corrective actions are in the process of being implemented.

- Create a checklist for all new grant awards based on the grant awards documents.
- Review all federal awards on a monthly basis to ensure all expenditures are allowed under the grant award.
- Review SEFA reports on a monthly basis to ensure our federal awards are in compliance with applicable standards.

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Finding 2021-034:	Oregon Health Authority <u>Strengthen controls to ensure appropriate subrecipient monitoring is performed timely</u> 21.019 Coronavirus Relief Fund Allowable Costs/Cost Principles; Subrecipient Monitoring Significant Deficiency; Noncompliance Questioned Costs: \$372,002 (known); \$4,222,558 (likely)
Initial Year:	2021
Recommendation:	Management strengthen internal controls to ensure appropriate subrecipient monitoring is performed. Specifically, monitoring procedures should be performed timely and should be designed to ensure subrecipients use program monies for allowable purposes. We also recommend management seek reimbursement of program monies that were not spent by subrecipients or were used for indirect costs and reimburse the federal agency for unallowable costs.
Status:	Partial corrective action was taken. The agency response is as follows: Health Systems Division (HSD) is developing a more robust grant compliance monitoring process and we are researching and procuring grant management software. As of April 2023, all counties (subrecipients) have refunded their unspent funds. All counties receiving funds have submitted their required expenditure reports.

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

Summaries of selected performance and information technology audit reports issued during 2023 are included here for informational purposes as subjects may relate to federal programs administered in Oregon.

REPORT TITLE AND NUMBER: Pharmacy Benefit Managers Poor Accountability and Transparency Harm Medicaid Patients and Independent Pharmacies; Report 2023-25

REPORT DATE: August 2023

RESULTS IN BRIEF: Prescription drug prices have become a major concern across the U.S. In 2021, Oregon spent approximately \$767 million a year on retail prescriptions for Oregon Health Plan CCOs. While there have been state and federal efforts to control drug prices, these efforts have primarily focused on drug manufacturers while PBM risks, including a lack of transparency, have largely been overlooked. Other states have passed meaningful legislation requiring more accountability from PBMs that have brought more transparency to the prescription drug supply chain. To date, there has been some PBM reform legislation proposed in Oregon, but more should be done.

This audit identified areas of concern including the current structure of Medicaid PBMs in Oregon and OHA's monitoring controls over CCOs and their contracted PBMs. The current structure lacks transparency and is overly complex — as a result, it is difficult to determine the value provided to the program and to people in Oregon. Transparency and accountability are obscured by nondisclosure agreements and proprietary information. The current system does not support local community pharmacies, which are a critical component of health care for all people in Oregon, not just those receiving Medicaid benefits.

Oregon's Legislature should follow leading practices in other states and create a universal preferred drug list for Medicaid, require PBMs to act as fiduciaries, prioritize fair pharmacy reimbursements, require PBMs to disclose cost information, and adopt a new PBM structure in Medicaid.

We also found PBM provisions in the CCO contracts have been strengthened, but OHA's monitoring controls are not sufficient to determine compliance and do not cover high-risk areas. Oregon has an opportunity to regulate PBMs to increase the value they provide to the Medicaid program by adopting leading practices to improve pharmacy access, improve transparency in the prescription drug process, and potentially save taxpayer dollars.

What We Found

1. The current structure of Medicaid PBMs is too complex for the State of Oregon to efficiently measure value. The prescription drug process in Medicaid involves multiple entities including sixteen CCOs (Coordinated Care Organizations), six PBMs, hundreds of pharmacies, multiple drug manufacturers, wholesalers, pharmacy administrative organizations, OHA, and the Department of Consumer and Business Services, among others.
2. Oregon's regulation of PBMs is limited and fragmented. Other states have meaningful legislation targeted at patient protections, pharmacy protections, and transparency. PBM reforms are bipartisan policy efforts to limit unfair practices, which can hurt community pharmacies and limit

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access for people. Other states are also adopting different PBM models for Medicaid, making it easier for governments to provide effective oversight.

3. Pharmacy reimbursements vary significantly depending on the drugs, pharmacy type, and PBM. Pharmacies often lose money when filling certain prescriptions. We found that national chains, some of which are owned by PBMs or PBM parent companies, were reimbursed twice the amount independent pharmacies were for selected drugs.
4. OHA does not ensure sufficient transparency and compliance from PBMs. While OHA has improved CCO contract language, more needs to be done to ensure high-risk areas are monitored appropriately and contract provisions are comprehensive.

What We Recommend

In order to have reasonable assurance PBMs are providing good value to Medicaid, we recommend OHA:

1. Expand contract provisions to more proactively monitor and enforce contract compliance and further develop monitoring processes that will give OHA reasonable assurance CCOs and PBMs are in compliance. Consider the following:
 - Require CCOs to obtain a yearly independent audit of their PBM for high-risk areas. An independent audit could help give OHA reasonable assurance that CCOs and their PBMs are in compliance. Note that a yearly audit should not replace a CCO's responsibility for on-going monitoring.
 - Incorporate monitoring results into the contracting process to improve oversight and program outcomes.
 - Update the CCO contract to apply the review requirement to all CCO-PBM amendments.
 - Require PBM contracts to be pass-through.
2. Assign staff without a conflict of interest to monitor CCO and PBM compliance.

To increase transparency and streamline oversight for Medicaid pharmacy benefits, we recommend the Legislature:

3. Implement a different PBM model in Medicaid coordinated care, such as a single PBM or Fee-For-Service approach. If a single PBM model is chosen, explore using a reverse auction to choose the vendor.
4. Mandate a universal preferred drug list and require uniform step and prior authorization criteria for Medicaid coordinated care.
5. Implement uniform and fair pharmacy reimbursement policies for Medicaid coordinated care.
6. Include Medicaid PBMs in ORS 735.530.
7. Require PBMs operating in Oregon to act as fiduciaries to the health insurer/CCO they contract with, and/or to the insured under a specific health plan.

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8. Follow leading practices and require PBMs and CCOs to provide aggregate data to the Department of Consumer and Business Services on a yearly basis which, at a minimum, details the following:
 - Total dispensing fees paid to both PBMs and pharmacies;
 - Total admin fees obtained and retained from both manufacturers and health plans;
 - Any monies obtained through spread pricing; and
 - De-identified claims data that does not contain personally identifying information.
9. Study if the creation of a state prescription drug purchasing program would save tax-payer dollars.

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REPORT TITLE AND NUMBER: The **Oregon Broadband Office Must Continue to Take Aggressive Steps to Close the Digital Divide and Fully Meet its Statutory Duties; Report 2023-02**

REPORT DATE: January 2023

RESULTS IN BRIEF: The focus of this audit was two-fold. Our first objective was to determine whether the Broadband Office has sufficient resources to effectively facilitate upcoming federal infrastructure grant awards and if the office has a cogent strategy and funding plan to close the broadband digital divide.

We determined the Broadband Office will likely be prepared to receive and facilitate this grant funding. However, it will require significant assistance from Business Oregon's staff, and use of federal monies specifically earmarked for broadband grant administration, to not only ensure Oregon receives all the grant money available to it, but that it is disbursed in an equitable way that addresses communities with the most critical needs first.

Our second objective was to determine whether the Broadband Office has the necessary staffing and resources to promote access to affordable, high-speed broadband services for all Oregonians in order to improve their quality of life and to enhance the state's economy. We found insufficient strategic planning, either missing or immature fundamental operational internal controls and processes, and inadequate staffing and resources is significantly impacting the office's ability to achieve its statutory obligations and risks hindering its ability to close Oregon's substantial digital divide.

Specifically, due to competing priorities with limited staff, we found the Broadband Office has not established governance documentation such as policies, processes, and procedures, and has only recently established draft program rules. In addition, necessary external partnerships have not been fully established, and digital equity has not been a strategic focus in broadband implementation efforts.

The office is also using inaccurate data for measurement in critical areas, including using a federally required state broadband access map that relies on inaccurate FCC data. The office is also not utilizing additional informative data from broadband grants and project to inform strategy and decisions, or to augment the broadband map. Additionally, Key Performance Measurements (KPMs) are not aligned with statutory requirements of the Oregon Broadband Office.

Key issues and suggested actions

To address insufficient staffing, ad-hoc processes, and lack of internal controls, we recommend the Broadband Office, with the assistance of Business Oregon:

1. Determine an appropriate number of staffing and resources to assign to the Broadband Office's mission while awaiting the next opportunity to request a permanent staffing increase from the Legislature.
2. Address internal control issues by defining and documenting broadband policies, processes, and procedures, as well as personnel roles and responsibilities, to address and monitor current gaps in broadband and Oregon's specific broadband barriers.
3. For each funding source, establish program plans for broadband implementation, stakeholder engagement, and public private partnerships to include:
 - a. Goals, roadmaps, and timelines;

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- b. Stakeholder communication;
 - c. Measurement and reporting regarding the effectiveness of these plans; and
 - d. Plan of actions for continuous improvement of efforts.
4. Establish Key Performance Measures that are in line with both the mission and the statutory requirements of the office, and a mechanism for reporting on how well the office is meeting them. To address digital inequities, poor data quality, and lack of transparency, we recommend the Broadband Office, with the assistance of Business Oregon and, as appropriate, the Oregon Broadband Advisory Council:
5. Establish a digital equity and inclusion position to support the Broadband Office's digital equity and inclusion efforts. These efforts should include:
- a. Developing a strategic plan focusing on broadband implementation and grant efforts for areas of Oregon most unserved and underserved by broadband;
 - b. Lobbying for and promoting low-cost ISP options for low-income households; and
 - c. Coordinating with community anchor institutions to ensure literacy and technical skills are developed for new users of broadband.
6. Work with the FCC and other relevant entities to develop and publish a more accurate broadband map to provide more meaningful information to entities regarding the true state of broadband speeds and the availability of services. This may include:
- a. Developing a process for local and Tribal governments, individuals, and ISPs to submit, review and challenge data that is inaccurate in the Broadband Data Collection process;
 - b. Supplementing the required FCC broadband data used for mapping with data that more accurately reflects people's access and internet speeds; and
 - c. Providing information to the public regarding unserved and underserved areas in Oregon, including public wi-fi locations, and ISP territories.
7. Be innovative in leading Oregon's broadband efforts by being more aggressive and assertive in promoting public policy to address known issues and barriers to bringing broadband internet to all people of Oregon. This should include:
- a. Proposing updated future-ready broadband speed minimum standards.
 - b. Exploring innovative solutions, such as giving appropriate due deference to grant applications from Tribal governments, allowing in-kind services in exchange for providing up-front capital for infrastructure with Tribal partners that respects Tribal government sovereignty and traditions, while providing affordable internet service to the Tribal communities in Oregon.
8. Establish a regular review process to analyze data received from future grant cycles and use this data to improve transparency regarding Oregon's broadband challenges and successes for stakeholders.
9. Partner with broadband stakeholders, such as other state agencies, service providers, and broadband action teams, to develop and publish materials to help educate and onboard individuals

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who wish to understand or help to improve broadband in their region in order to be transparent, including:

- a. List of public private partnerships;
 - b. Grant opportunities and grant awardee information;
 - c. Rules, guidelines, and Frequently Asked Questions for stakeholders; and
 - d. Broadband development project cost and status.
- 10.** Use data to continually assess broadband needs as the broadband landscape changes, develops, and grows; and to inform decisions around broadband implementation efforts, including grant awards and broadband project planning.

About the Audit

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ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.



**Oregon Secretary of State
Audits Division**

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This report is intended to promote the best possible
management of public resources.

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