

The background of the top half of the cover is a dark blue color. In the center, there is a large, faint, light blue watermark of the Seal of the State of Oregon. The seal features an eagle with wings spread, perched on a shield. Below the eagle is a ship on the water, and below that is a plow pulled by oxen. The words "THE UNION" are written on a banner below the plow. The entire seal is encircled by a ring of stars. The text "STATE OF OREGON" is written in a large, serif font around the top of the seal, and "1859" is written at the bottom.

Statewide Single Audit Report

State of Oregon

For Fiscal Year Ended June 30,

2015

Secretary of State
Jeanne P. Atkins

Audits Division, Interim Director
Mary Wenger

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State



Audits Division

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The Honorable Kate Brown
Governor of Oregon

We have conducted a statewide audit in accordance with *Government Auditing Standards*, the Single Audit Act Amendments of 1996, U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the related OMB Circular A-133 Compliance Supplement including any applicable addendums. This report encompasses the year ended June 30, 2015, and is required for the State to continue receiving federal financial assistance, which, as shown in this report, totals approximately \$11.1 billion.

As required by the Single Audit Act, we issued a report dated January 6, 2016, on the State of Oregon's financial statements. That report was included in the State of Oregon's Comprehensive Annual Financial Report for the year ended June 30, 2015.

This report contains the remaining components required by the Single Audit Act:

- *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with laws, regulations, contracts and grant agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.
- *Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.* 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 OMB Circular A-133 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, 2015.
- *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 OMB Circular A-133. The schedule shows State expenditures of federal awards, for the fiscal year ended June 30, 2015, excluding the University of Oregon, Oregon State University, Portland State University, and Oregon Health and Science University. The notes, which accompany the schedule, are considered an integral part of the schedule. They provide disclosures regarding the reporting entity, the significant accounting policies used in preparing the schedule, the value of federal awards expended in the form of non-cash assistance, unemployment insurance and the value of pass-through awards received by the State from non-federal entities.

- *Schedule of Findings and Questioned Costs.* This schedule lists 6 current year audit findings regarding internal control related to financial reporting. It also lists 35 current year audit findings regarding compliance with the requirements of major federal programs and related internal controls.
- *Schedule of Prior Year Findings.* This schedule lists the current status of prior year findings that remained uncorrected at the end of fiscal year 2014.

OMB Circular A-133 requires management to provide a plan of corrective action on the findings and recommendations for the fiscal year ended June 30, 2015. 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.

OREGON AUDITS DIVISION



Mary Wenger
Interim Director

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**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**

Independent Auditor's Report

The Honorable Kate Brown
Governor of Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2015, 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 6, 2016.

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

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

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Items 2015-001 through 2015-006.

Compliance and Other Matters

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

The State of Oregon's Response to Findings

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

Purpose of this Report

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

Office of the Secretary of State, Audits Division

State of Oregon
January 6, 2016

Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State



Audits Division

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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 OMB Circular A-133

Independent Auditor's Report

The Honorable Kate Brown
Governor of Oregon

Report on Compliance for Each Major Federal Program

We have audited the State of Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of Oregon's major federal programs for the year ended June 30, 2015. The State of Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit the State of Oregon's compliance with the following major federal programs:

CFDA#	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.268	Immunization Cooperative Agreements
cluster	Workforce Investment Act (WIA) Cluster
cluster	Student Financial Assistance Cluster

Other auditors audited the State of Oregon's compliance with these programs' requirements and their reports thereon have been furnished to us. Our opinion, insofar as it relates to these programs, is based solely on the reports of the other auditors.

The State of Oregon's basic financial statements include the operations of the University of Oregon, Oregon State University, Portland State University, and Oregon Health and Science University, which expended approximately \$253 million, \$383 million, \$224 million, and \$332 million, respectively in federal awards, which are not included in the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit, described below, did not include the operations of the University of Oregon, Oregon State University, Portland State University, or Oregon Health and Science University because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133. To obtain a copy of those reports, please refer to note disclosure 2 of the schedule of expenditures of federal awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Oregon's compliance.

Basis for Qualified Opinion on Foster Care Title IV-E, Adoption Assistance Title IV-E, Medicaid Cluster, Child Care and Development Fund Cluster, Immunization Cooperative Agreements

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

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-007	93.658	Foster Care Title IV-E	Activities Allowed or Unallowed
	93.659	Adoption Assistance Title IV-E	
2015-008	93.658	Foster Care Title IV-E	Period of Performance
	93.659	Adoption Assistance Title IV-E	
2015-009	93.658	Foster Care Title IV-E	Eligibility
2015-010	93.658	Foster Care Title IV-E	Activities Allowed or Unallowed and Matching
2015-011	93.658	Foster Care Title IV-E	Activities Allowed or Unallowed
2015-013	93.659	Adoption Assistance Title IV-E	Eligibility
2015-015	93.777	Medicaid Cluster	Special Tests and Provisions
	93.778		
2015-016	93.777	Medicaid Cluster	Activities Allowed or Unallowed and Eligibility
	93.778		
2015-017	93.777	Medicaid Cluster	Allowable Costs/Cost Principles and Matching
	93.778		
2015-018	93.777	Medicaid Cluster	Special Tests and Provisions
	93.778		
2015-021	93.575	Child Care and Development Fund	Eligibility
	93.596	Cluster	
2015-022	93.575	Child Care and Development Fund	Subrecipient Monitoring
	93.596	Cluster	
2015-023	93.268	Immunization Cooperative Agreements	Special Tests and Provisions

Qualified Opinion on Foster Care Title IV-E, Adoption Assistance Title IV-E, Medicaid Cluster, Child Care and Development Fund Cluster, Immunization Cooperative Agreements

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, based on our audit and the reports of other auditors, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Foster Care Title IV-E, Adoption Assistance Title IV-E, Medicaid Cluster, Child Care Development Fund Cluster, and Immunization Cooperative Agreements for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures and the reports of other auditors disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-019, 2015-024 through 2015-027, 2015-029 through 2015-037 and 2015-040 through 2015-041. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the State of Oregon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that

there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-007 through 2015-010, 2015-015 through 2015-016, 2015-021 through 2015-022, 2015-029 through 2015-030 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 and the other auditors consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-011 through 2015-014, 2015-017 through 2015-020, 2015-023 through 2015-025, 2015-027 through 2015-028, 2015-031, and 2015-033 through 2015-041 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements. We issued our report thereon dated January 6, 2016, 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Office of the Secretary of State, Audits Division

State of Oregon

March 10, 2016, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is January 6, 2016

**State of Oregon
Schedule of Expenditures of
Federal Awards
For the Year Ended
June 30, 2015**

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of Agriculture							
10.001	Agricultural Research_Basic and Applied Research		\$ 25,065	\$ --	\$ 25,065	\$ 25,065	\$ --
10.025	Plant and Animal Disease, Pest Control, and Animal Care		1,949,829	10,000	1,959,829	1,930,021	29,808
10.069	Conservation Reserve Program		6,950	102,477	109,427	109,427	--
10.093	Voluntary Public Access and Habitat Incentive Program		27,495	--	27,495	27,495	--
10.170	Specialty Crop Block Grant Program - Farm Bill		501,602	885,531	1,387,133	1,387,133	--
10.171	Organic Certification Cost Share Programs		347,992	--	347,992	347,992	--
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		54,931,443	18,629,216	73,560,659	73,560,659	--
10.558	Child and Adult Care Food Program		466,117	35,062,618	35,528,735	35,528,735	--
10.560	State Administrative Expenses for Child Nutrition		2,923,943	--	2,923,943	2,923,943	--
10.567	Food Distribution Program on Indian Reservations		26,156	209,519	235,675	235,675	--
10.576	Senior Farmers Market Nutrition Program		732,699	--	732,699	732,699	--
10.579	Child Nutrition Discretionary Grants Limited Availability		--	330,424	330,424	330,424	--
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants		103,648	--	103,648	103,648	--
10.582	Fresh Fruit and Vegetable Program		10,837	2,393,738	2,404,575	2,404,575	--
10.598	Supplemental Nutrition Assistance Program (SNAP) Recipient Trafficking Prevention Grants		64,026	--	64,026	64,026	--
10.604	Technical Assistance for Specialty Crops Program		30	--	30	30	--
10.652	Forestry Research		49,325	--	49,325	49,325	--
10.664	Cooperative Forestry Assistance		5,320,887	260,100	5,580,987	5,580,987	--
10.674	Wood Utilization Assistance		273,512	--	273,512	273,512	--
10.675	Urban and Community Forestry Program		22,327	--	22,327	22,327	--
10.676	Forest Legacy Program		66,147	--	66,147	66,147	--
10.678	Forest Stewardship Program		107,428	--	107,428	107,428	--
10.679	Collaborative Forest Restoration		70,020	--	70,020	70,020	--
10.680	Forest Health Protection		1,018,971	--	1,018,971	1,018,971	--
10.769	Rural Business Enterprise Grants		25,000	--	25,000	25,000	--
10.868	Rural Energy for America Program		17,062	--	17,062	17,062	--
10.XXX	Other Department of Agriculture Programs						
		11 CS 11060600 003	5,166	--	5,166	5,166	--
		2014 CS 11061500 006	3,664	--	3,664	3,664	--
		AG 04T0 P 15 0029	4,326	--	4,326	4,326	--
		WRP 66 0436 8 7277	4,060	--	4,060	4,060	--
10.XXX	Total Other Department of Agriculture Programs		\$ 17,216	\$ --	\$ 17,216	\$ 17,216	\$ --
Total Department of Agriculture			\$ 69,105,727	\$ 57,883,623	\$ 126,989,350	\$ 126,959,542	\$ 29,808
Department of Commerce							
11.008	NOAA Mission-Related Education Awards		\$ 42,265	\$ --	\$ 42,265	\$ 42,265	\$ --
11.407	Interjurisdictional Fisheries Act of 1986		56,657	--	56,657	--	56,657
11.419	Coastal Zone Management Administration Awards		2,070,338	326,741	2,397,079	2,215,307	181,772

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		W9127N 12 2 00041007	1,087,948	--	1,087,948	1,087,948	--
		W9127N 12 2 00041008	204,531	--	204,531	204,531	--
		W9127N 12 2 00041011	24,580	--	24,580	24,580	--
		W9127N 12 2 00042003	71,449	--	71,449	71,449	--
		W9127N 12 2 0005	97,612	--	97,612	97,612	--
		W9127N 12 2 10041004	512,321	--	512,321	512,321	--
		W9127N 122 0004 1013	342,477	--	342,477	342,477	--
		W9127N 122 0004 2015	167,093	--	167,093	167,093	--
		W9127N09200070010	180,395	--	180,395	180,395	--
		W9127N10 2 0008 0020	218,711	--	218,711	218,711	--
		W9127N10 2 0008 0022	174,397	--	174,397	174,397	--
		W9127N10 2 0008 0023	59,459	--	59,459	59,459	--
		W9127N10 2 0008 0024	126,609	--	126,609	126,609	--
		W9127N10200080017	6,660	--	6,660	6,660	--
		W9127N12200041001	1,270,706	--	1,270,706	1,270,706	--
		W9127N12200041002	1,200,536	--	1,200,536	1,200,536	--
		W9127N12200041009	580,388	--	580,388	580,388	--
		W9127N1320002	13,786	--	13,786	13,786	--
12.XXX	Total Other Department of Defense Programs		\$ 11,201,433	\$ --	\$ 11,201,433	\$ 11,201,433	\$ --
Total	Department of Defense		\$ 52,214,067	\$ 28,138	\$ 52,242,205	\$ 52,186,157	\$ 56,048
Department of Housing and Urban Development							
12.106	Flood Control Projects		\$ 316,689	\$ 28,138	\$ 344,827	\$ 288,779	\$ 56,048
14.235	Supportive Housing Program		72,664	--	72,664	72,664	--
14.239	Home Investment Partnerships Program		3,115,234	1,617,406	4,732,640	4,661,942	70,698
14.241	Housing Opportunities for Persons with AIDS		921,305	487,394	1,408,699	1,408,699	--
14.400	Equal Opportunity in Housing		284,716	--	284,716	284,716	--
14.XXX	Other Department of Housing and Urban Development B08DN410001		64,459	135,435	199,894	199,894	--
14.XXX	Total Other Department of Housing and Urban Development		\$ 64,459	\$ 135,435	\$ 199,894	\$ 199,894	\$ --
Total	Department of Housing and Urban Development		\$ 4,538,146	\$ 3,625,479	\$ 8,163,625	\$ 8,092,927	\$ 70,698
Department of the Interior							
15.214	Non-Sale Disposals of Mineral Material		\$ --	\$ 343,385	\$ 343,385	\$ 343,385	\$ --
15.224	Cultural Resource Management		--	15,000	15,000	15,000	--
15.225	Recreation Resource Management		25,723	221,672	247,395	247,395	--
15.227	Distribution of Receipts to State and Local Governments		5,870	139,889	145,759	139,889	5,870
15.228	National Fire Plan - Wildland Urban Interface Community Fire Assistance		58,243	--	58,243	58,243	--
15.231	Fish, Wildlife and Plant Conservation Resource Management		306,613	--	306,613	306,613	--
15.234	Secure Rural Schools and Community Self-Determination		283,945	--	283,945	208,762	75,183

15.236	Environmental Quality and Protection Resource Management	7,748	--	7,748	7,748	--
15.238	Challenge Cost Share	48,626	--	48,626	48,626	--
15.504	Title XVI Water Reclamation and Reuse Program	200,301	--	200,301	200,301	--
15.517	Fish and Wildlife Coordination Act	122,366	--	122,366	122,366	--
15.608	Fish and Wildlife Management Assistance	1,184	--	1,184	1,184	--
15.614	Coastal Wetlands Planning, Protection and Restoration Program	952,838	154,656	1,107,494	1,107,494	--
15.615	Cooperative Endangered Species Conservation Fund	137,464	1,221,609	1,359,073	1,359,073	--
15.616	Clean Vessel Act Program	88,766	583,184	671,950	671,950	--
15.622	Sportfishing and Boating Safety Act	--	495,691	495,691	495,691	--
15.626	Enhanced Hunter Education and Safety Program	89,793	68,281	158,074	158,074	--
15.630	Coastal Program	1,390	--	1,390	1,390	--
15.634	State Wildlife Grants	754,769	--	754,769	754,769	--
15.657	Endangered Species Conservation - Recovery Implementation Funds	205,121	--	205,121	205,121	--
15.661	Lower Snake River Compensation Plan	3,783,215	--	3,783,215	3,783,215	--
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	--	30,008	30,008	30,008	--
15.808	U.S. Geological Survey_Research and Data Collection	326,806	18,000	344,806	344,806	--
15.810	National Cooperative Geologic Mapping Program	184,829	--	184,829	184,829	--
15.814	National Geological and Geophysical Data Preservation Program	3,480	--	3,480	3,480	--
15.904	Historic Preservation Fund Grants-In-Aid	711,863	289,429	1,001,292	1,001,292	--
15.916	Outdoor Recreation_Acquisition, Development and Planning	544,062	157,520	701,582	701,582	--
15.945	Cooperative Research and Training Programs - Resources of the National Park System	36,535	--	36,535	36,535	--
15.XXX	Other Department of the Interior Programs					
	09FG1U1410	42,402	--	42,402	42,402	--
	4112GP572	1,920	--	1,920	1,920	--
	45000471715	(8,392)	--	(8,392)	(8,392)	--
	F14AC00219	2,339	--	2,339	2,339	--
	F14AF00011	35,736	--	35,736	35,736	--
	F14AP00035	2,850	--	2,850	2,850	--
	F15AP00145	970,000	--	970,000	970,000	--
	H1530080001	1,991	--	1,991	1,991	--
	IPA 100112 TO9302014	10,784	--	10,784	10,784	--
	L09AC16024L14AC00034	31,327	--	31,327	31,327	--
	L10AC20502	9,974	--	9,974	9,974	--
	L13AC00209	30,512	--	30,512	30,512	--
	LOPTX	5,832	--	5,832	5,832	--
	OF691PA	5,320	--	5,320	5,320	--
	R13AP13007	151,964	--	151,964	151,964	--
	T 14786 11	3,835	--	3,835	--	3,835
	USFW AGMT NAT HERIT	234,062	1,158	235,220	235,220	--
15.XXX	Total Other Department of the Interior Programs	\$ 1,532,456	\$ 1,158	\$ 1,533,614	\$ 1,529,779	\$ 3,835
Total	Department of the Interior	\$ 10,414,006	\$ 3,739,482	\$ 14,153,488	\$ 14,068,600	\$ 84,888

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of Justice							
16.017	Sexual Assault Services Formula Program		\$ 4,840	\$ 277,473	\$ 282,313	\$ 282,313	\$ --
16.021	Justice Systems Response to Families		67,276	--	67,276	67,276	--
16.523	Juvenile Accountability Block Grants		2,028	173,824	175,852	175,852	--
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus		100,998	--	100,998	100,998	--
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States		426,045	271,517	697,562	697,562	--
16.543	Missing Children's Assistance		335,949	--	335,949	335,949	--
16.548	Title V_ Delinquency Prevention Program		1,562	10,000	11,562	11,562	--
16.550	State Justice Statistics Program for Statistical Analysis Centers		59,742	--	59,742	59,742	--
16.554	National Criminal History Improvement Program (NCHIP)		26,910	--	26,910	26,910	--
16.575	Crime Victim Assistance		348,408	5,050,340	5,398,748	5,398,748	--
16.576	Crime Victim Compensation		334,032	--	334,032	334,032	--
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		30,867	--	30,867	30,867	--
16.582	Crime Victim Assistance/Discretionary Grants		3,250	--	3,250	--	3,250
16.585	Drug Court Discretionary Grant Program		186,735	140,787	327,522	221,568	105,954
16.588	Violence Against Women Formula Grants		329,761	1,482,338	1,812,099	1,812,099	--
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		8,379	--	8,379	--	8,379
16.593	Residential Substance Abuse Treatment for State Prisoners		30,317	142,595	172,912	172,912	--
16.595	Community Capacity Development Office		8,894	--	8,894	8,894	--
16.606	State Criminal Alien Assistance Program		2,048,085	--	2,048,085	2,048,085	--
16.607	Bulletproof Vest Partnership Program		12,561	--	12,561	12,561	--
16.608	Tribal Court Assistance Program		250,606	--	250,606	250,606	--
16.710	Public Safety Partnership and Community Policing Grants		47,118	--	47,118	47,118	--
16.727	Enforcing Underage Drinking Laws Program		(134,871)	--	(134,871)	(134,871)	--
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities		176,528	--	176,528	176,528	--
16.741	DNA Backlog Reduction Program		326,922	--	326,922	326,922	--
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		71,191	--	71,191	71,191	--
16.750	Support for Adam Walsh Act Implementation Grant Program		148,416	--	148,416	148,416	--
16.751	Edward Byrne Memorial Competitive Grant Program		9,497	--	9,497	9,497	--
16.754	Harold Rogers Prescription Drug Monitoring Program		145,591	46,851	192,442	192,442	--
16.812	Second Chance Act Reentry Initiative		127,522	--	127,522	124,806	2,716
16.813	NICS Act Record Improvement Program		592,907	--	592,907	592,907	--
16.816	John R. Justice Prosecutors and Defenders Incentive Act		53,756	--	53,756	53,756	--
16.827	Justice Reinvestment Initiative		20,508	70,560	91,068	91,068	--
16.922	Equitable Sharing Program		259,807	--	259,807	259,807	--
Total Department of Justice			\$ 6,462,137	\$ 7,666,285	\$14,128,422	\$ 14,008,123	\$ 120,299

Department of Labor

17.002	Labor Force Statistics	\$	1,166,474	\$	--	\$	1,166,474	\$	1,166,474	\$	--
17.005	Compensation and Working Conditions		166,085		--		166,085		166,085		--
17.225	ARRA - Unemployment Insurance		(919,204)		--		(919,204)		(919,204)		--
17.225	Unemployment Insurance		644,391,343		--		644,391,343		644,391,343		--
17.235	Senior Community Service Employment Program		21,928		1,242,055		1,263,983		1,263,983		--
17.245	Trade Adjustment Assistance		8,972,377		--		8,972,377		8,972,377		--
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects		127,483		--		127,483		127,483		--
17.271	Work Opportunity Tax Credit Program (WOTC)		99,193		--		99,193		99,193		--
17.273	Temporary Labor Certification for Foreign Workers		75,470		--		75,470		75,470		--
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency		36,278		2,384,241		2,420,519		2,420,519		--
17.503	Occupational Safety and Health_State Program		5,552,039		--		5,552,039		5,552,039		--
17.600	Mine Health and Safety Grants		(6,985)		--		(6,985)		(6,985)		--
17.XXX	Other Department of Labor Programs										
	GS10F0042M		1,240		--		1,240		--		1,240
17.XXX	Total Other Department of Labor Programs	\$	1,240	\$	--	\$	1,240	\$	--	\$	1,240
Total Department of Labor		\$	659,683,721	\$	3,626,296	\$	663,310,017	\$	663,308,777	\$	1,240

Department of Transportation

20.106	Airport Improvement Program	\$	3,252,136	\$	--	\$	3,252,136	\$	3,252,136	\$	--
20.218	National Motor Carrier Safety		1,475,325		425,172		1,900,497		1,900,497		--
20.232	Commercial Driver's License Program Improvement Grant		495,142		--		495,142		495,142		--
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants		937,304		902,216		1,839,520		1,839,520		--
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		112,276		101,423		213,699		213,699		--
20.509	Formula Grants for Rural Areas		1,144,120		10,107,409		11,251,529		11,251,529		--
20.520	Paul S. Sarbanes Transit in the Parks		--		337,057		337,057		337,057		--
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program		466,771		--		466,771		466,771		--
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		226,489		62,039		288,528		288,528		--
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		93,860		--		93,860		87,135		6,725
20.700	Pipeline Safety Program State Base Grant		435,663		--		435,663		435,663		--
20.701	University Transportation Centers Program		942		--		942		--		942
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		244,434		--		244,434		244,434		--
20.933	National Infrastructure Investments		3,927,996		--		3,927,996		3,927,996		--
Total Department of Transportation		\$	12,812,458	\$	11,935,316	\$	24,747,774	\$	24,740,107	\$	7,667

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of the Treasury							
21.XXX	Other Department of Treasury Programs						
		ASSET FORFEITURE	\$ 36,590	\$ --	\$ 36,590	\$ 36,590	\$ --
		NFMC	39,935	242,084	282,019	282,019	--
21.XXX	Total Other Department of Treasury Programs		<u>\$ 76,525</u>	<u>\$ 242,084</u>	<u>\$ 318,609</u>	<u>\$ 318,609</u>	<u>\$ --</u>
Total	Department of the Treasury		<u>\$ 76,525</u>	<u>\$ 242,084</u>	<u>\$ 318,609</u>	<u>\$ 318,609</u>	<u>\$ --</u>
Equal Employment Opportunity Commission							
30.001	Employment Discrimination_Title VII of the Civil Rights Act of 1964		\$ 436,700	\$ --	\$ 436,700	\$ 436,700	\$ --
Total	Equal Employment Opportunity Commission		<u>\$ 436,700</u>	<u>\$ --</u>	<u>\$ 436,700</u>	<u>\$ 436,700</u>	<u>\$ --</u>
General Services Administration							
39.002	Disposal of Federal Surplus Real Property		\$ --	\$ 19,265	\$ 19,265	\$ 19,265	\$ --
39.003	Donation of Federal Surplus Personal Property		117,898	842,537	960,435	960,435	--
Total	General Services Administration		<u>\$ 117,898</u>	<u>\$ 861,802</u>	<u>\$ 979,700</u>	<u>\$ 979,700</u>	<u>\$ --</u>
National Aeronautics and Space Administration							
43.001	Science		\$ 48,411	\$ --	\$ 48,411	\$ --	\$ 48,411
Total	National Aeronautics and Space Administration		<u>\$ 48,411</u>	<u>\$ --</u>	<u>\$ 48,411</u>	<u>\$ --</u>	<u>\$ 48,411</u>
National Endowment for the Arts							
45.025	Promotion of the Arts_Partnership Agreements		\$ 99,233	\$ 1,004,650	\$ 1,103,883	\$ 1,103,883	\$ --
Total	National Endowment for the Arts		<u>\$ 99,233</u>	<u>\$ 1,004,650</u>	<u>\$ 1,103,883</u>	<u>\$ 1,103,883</u>	<u>\$ --</u>
Institute Of Museum and Library Services							
45.301	Museums for America		\$ 4,228	\$ --	\$ 4,228	\$ 4,228	\$ --
45.310	Grants to States		1,167,458	900,563	2,068,021	2,068,021	--
Total	Institute Of Museum and Library Services		<u>\$ 1,171,686</u>	<u>\$ 900,563</u>	<u>\$ 2,072,249</u>	<u>\$ 2,072,249</u>	<u>\$ --</u>
Small Business Administration							
59.037	Small Business Development Centers		\$ 109,163	\$ --	\$ 109,163	\$ --	\$ 109,163
59.061	State Trade and Export Promotion Pilot Grant Program		9,244	40,295	49,539	49,539	--
Total	Small Business Administration		<u>\$ 118,407</u>	<u>\$ 40,295</u>	<u>\$ 158,702</u>	<u>\$ 49,539</u>	<u>\$ 109,163</u>

Department of Veterans Affairs

64.005	Grants to States for Construction of State Home Facilities	\$	7,046,130	\$	--	\$	7,046,130	\$	7,046,130	\$	--
64.015	Veterans State Nursing Home Care		6,128,053		--		6,128,053		6,128,053		--
64.035	Veterans Transportation Program		19,870		196,847		216,717		216,717		--
64.125	Vocational and Educational Counseling for Service members and Veterans		76,609		--		76,609		76,609		--
Total Department of Veterans Affairs		\$	13,270,662	\$	196,847	\$	13,467,509	\$	13,467,509	\$	--

Environmental Protection Agency

66.032	State Indoor Radon Grants	\$	70,301	\$	--	\$	70,301	\$	70,301	\$	--
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		844,062		71,309		915,371		915,371		--
66.039	National Clean Diesel Emissions Reduction Program		1,186		--		1,186		1,186		--
66.040	State Clean Diesel Grant Program		5,742		115,952		121,694		121,694		--
66.419	Water Pollution Control State, Interstate, and Tribal Program Support		105,093		--		105,093		105,093		--
66.432	State Public Water System Supervision		1,426,208		686,695		2,112,903		2,112,903		--
66.454	Water Quality Management Planning		144,916		--		144,916		144,916		--
66.460	Nonpoint Source Implementation Grants		23,551		764,172		787,723		787,723		--
66.461	Regional Wetland Program Development Grants		59,945		--		59,945		59,945		--
66.472	Beach Monitoring and Notification Program Implementation Grants		153,215		--		153,215		153,215		--
66.605	Performance Partnership Grants		6,109,032		--		6,109,032		6,109,032		--
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		197,228		--		197,228		197,228		--
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		580,449		--		580,449		580,449		--
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		231,464		--		231,464		231,464		--
66.709	Multi-Media Capacity Building Grants for States and Tribes		75,325		--		75,325		75,325		--
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		314,146		--		314,146		314,146		--
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		402,500		--		402,500		402,500		--
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		1,022,309		--		1,022,309		1,022,309		--
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		112,500		--		112,500		112,500		--
66.817	State and Tribal Response Program Grants		1,012,110		--		1,012,110		1,012,110		--
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		28,574		1,537,635		1,566,209		1,566,209		--
66.951	Environmental Education Grants		712		8,863		9,575		9,575		--
Total Environmental Protection Agency		\$	12,920,568	\$	3,184,626	\$	16,105,194	\$	16,105,194	\$	--

Department of Energy

81.041	State Energy Program	\$	514,365	\$	--	\$	514,365	\$	514,365	\$	--
81.042	Weatherization Assistance for Low-Income Persons		186,438		1,910,045		2,096,483		2,096,483		--
81.087	Renewable Energy Research and Development		6,506		--		6,506		6,506		--

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
81.104	Environmental Remediation and Waste Processing and Disposal		828,311	11,200	839,511	839,511	--
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions		55,172	--	55,172	--	55,172
81.112	Stewardship Science Grant Program		49,521	--	49,521	--	49,521
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		221,613	--	221,613	--	221,613
81.119	State Energy Program Special Projects		44,100	--	44,100	44,100	--
81.XXX	Other Department of Energy Programs						
		00062911	95,168	781,045	876,213	876,213	--
		12 48	9,132	--	9,132	--	9,132
		13 46	15,106	--	15,106	--	15,106
		13 47	49,773	--	49,773	--	49,773
		13 52	(13,280)	--	(13,280)	--	(13,280)
		13 67	126,524	--	126,524	--	126,524
		13 68	264,985	--	264,985	--	264,985
		13 77	622,122	--	622,122	--	622,122
		14 41	334,966	--	334,966	--	334,966
		1984 025 00	291,122	--	291,122	291,122	--
		1992 026 04	917,688	--	917,688	917,688	--
		1993 066 00 59142	623,094	--	623,094	623,094	--
		1994 042 00	309,729	--	309,729	309,729	--
		1998 016 00	278,645	--	278,645	278,645	--
		2007 299 0060985	266,190	--	266,190	266,190	--
		2007 404 00	(4,838)	--	(4,838)	(4,838)	--
		2010 035 00	217,837	--	217,837	217,837	--
		2011 004 00	186,118	--	186,118	186,118	--
		44552	32,738	630,450	663,188	663,188	--
		56429021 0060620	472,957	--	472,957	472,957	--
		59270	79,924	--	79,924	79,924	--
		594451993 040 00	273,088	--	273,088	273,088	--
		59665	33,732	--	33,732	33,732	--
		602121993 066 00	743,972	--	743,972	743,972	--
		603261998 007 04	175,535	--	175,535	175,535	--
		606292011 006 00	123,899	--	123,899	123,899	--
		60848	101,549	--	101,549	101,549	--
		625382011 004 00	616,524	--	616,524	616,524	--
		62559 1988 053 04	345,405	--	345,405	345,405	--
		62674 1988 053 08	151,004	--	151,004	151,004	--
		62683	119,381	--	119,381	119,381	--
		628722007 404 00	111,664	--	111,664	111,664	--
		63090 2007 404 00	194,929	--	194,929	194,929	--
		63178 1988 053 08	120,354	--	120,354	120,354	--

	63186	1,048,087	87,639	1,135,726	1,135,726	--
	63214 2007 402 00	63,041	--	63,041	63,041	--
	63235	63,291	--	63,291	63,291	--
	632371993 060 00	741,570	--	741,570	741,570	--
	63378	941,165	--	941,165	941,165	--
	63486	379,703	--	379,703	379,703	--
	63516	501,738	--	501,738	501,738	--
	63517	497,600	--	497,600	497,600	--
	63615	222,352	--	222,352	222,352	--
	636161996 040 00	46,948	--	46,948	46,948	--
	64769	568,056	--	568,056	568,056	--
	IGA 402 000	130,317	--	130,317	--	130,317
81.XXX	Total Other Department of Energy Programs	<u>\$ 13,490,604</u>	<u>\$ 1,499,134</u>	<u>\$ 14,989,738</u>	<u>\$ 13,450,093</u>	<u>\$ 1,539,645</u>
Total	Department of Energy	<u>\$ 15,396,630</u>	<u>\$ 3,420,379</u>	<u>\$ 18,817,009</u>	<u>\$ 16,951,058</u>	<u>\$ 1,865,951</u>
Department of Education						
84.002	Adult Education - Basic Grants to States	\$ 1,029,353	\$ 3,392,862	\$ 4,422,215	\$ 4,422,215	\$ --
84.010	Title I Grants to Local Educational Agencies	1,306,678	148,791,864	150,098,542	150,098,542	--
84.011	Migrant Education_State Grant Program	1,223,703	9,146,880	10,370,583	10,370,583	--
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	51,357	1,295,759	1,347,116	1,347,116	--
84.048	Career and Technical Education -- Basic Grants to States	1,756,704	11,670,110	13,426,814	13,426,814	--
84.116	Fund for the Improvement of Postsecondary Education	(131)	--	(131)	--	(131)
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	46,554,371	--	46,554,371	46,554,371	--
84.129	Rehabilitation Long-Term Training	293,433	--	293,433	293,433	--
84.144	Migrant Education_Coordination Program	55,506	49,879	105,385	105,385	--
84.160	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	142,670	161,191	303,861	303,861	--
84.169	Independent Living_State Grants	112,199	--	112,199	112,199	--
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	492,374	--	492,374	492,374	--
84.181	Special Education-Grants for Infants and Families	217,678	5,517,003	5,734,681	5,734,681	--
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	295,016	--	295,016	295,016	--
84.195	Bilingual Education_Professional Development	21,506	--	21,506	21,506	--
84.196	Education for Homeless Children and Youth	171,859	462,158	634,017	634,017	--
84.224	Assistive Technology	2,500	371,301	373,801	373,801	--
84.235	Rehabilitation Services Demonstration and Training Programs	8	--	8	8	--
84.265	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	62,212	--	62,212	62,212	--
84.287	Twenty-First Century Community Learning Centers	346,551	10,810,559	11,157,110	11,157,110	--
84.305	Education Research, Development and Dissemination	35,193	--	35,193	35,193	--
84.323	Special Education - State Personnel Development	716,006	468,576	1,184,582	1,184,582	--
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	625,441	1,000	626,441	626,441	--

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		1,783,184	675,061	2,458,245	2,315,296	142,949
84.327	Special Education_Educational Technology Media, and Materials for Individuals with Disabilities		18,014	--	18,014	--	18,014
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		214,440	--	214,440	214,440	--
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		759,796	71,417	831,213	831,213	--
84.350	Transition to Teaching		130,024	--	130,024	130,024	--
84.358	Rural Education		103,446	1,245,567	1,349,013	1,349,013	--
84.365	English Language Acquisition State Grants		445,446	6,733,837	7,179,283	7,179,283	--
84.366	Mathematics and Science Partnerships		54,536	1,562,614	1,617,150	1,617,150	--
84.367	Improving Teacher Quality State Grants		772,556	20,904,005	21,676,561	21,644,458	32,103
84.368	Grants for Enhanced Assessment Instruments		3,529,103	--	3,529,103	3,529,103	--
84.369	Grants for State Assessments and Related Activities		9,600,274	--	9,600,274	9,600,274	--
84.412	Race to the Top Early Learning Challenge		3,286,252	3,226,234	6,512,486	6,512,486	--
84.XXX	ARRA - Other Department of Education Programs						
	R384A100053		1,654,730	248,859	1,903,589	1,903,589	--
84.XXX	Total ARRA - Other Department of Education Programs		\$ 1,654,730	\$ 248,859	\$ 1,903,589	\$ 1,903,589	\$ --
84.XXX	Other Department of Education Programs						
	00060313		29,801	--	29,801	29,801	--
	00066853		58,075	--	58,075	58,075	--
	ED08CO0071		8,933	--	8,933	8,933	--
	EDIES14C0097		137,469	--	137,469	137,469	--
84.XXX	Total Other Department of Education Programs		\$ 234,278	\$ --	\$ 234,278	\$ 234,278	\$ --
Total Department of Education			\$ 78,098,266	\$ 226,806,736	\$ 304,905,002	\$ 304,712,067	\$ 192,935
National Archives and Records Administration							
89.003	National Historical Publications and Records Grants		\$ 75,533	\$ --	\$ 75,533	\$ 75,533	\$ --
Total National Archives and Records Administration			\$ 75,533	\$ --	\$ 75,533	\$ 75,533	\$ --
Elections Assistance Commission							
90.401	Help America Vote Act Requirements Payments		\$ 1,513,597	\$ 10,272	\$ 1,523,869	\$ 1,523,869	\$ --
Total Elections Assistance Commission			\$ 1,513,597	\$ 10,272	\$ 1,523,869	\$ 1,523,869	\$ --
Department of Health and Human Services							
93.008	Medical Reserve Corps Small Grant Program		\$ 6,808	\$ --	\$ 6,808	\$ 6,808	\$ --
93.041	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation		(5,163)	51,473	46,310	46,310	--
93.042	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals		113,755	--	113,755	113,755	--

93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	--	212,611	212,611	212,611	--
93.048	Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	235,325	47,107	282,432	282,432	--
93.051	Alzheimer's Disease Demonstration Grants to States	104,927	105,985	210,912	210,912	--
93.052	National Family Caregiver Support, Title III, Part E	188,422	1,567,245	1,755,667	1,755,667	--
93.069	Public Health Emergency Preparedness	4,295,548	3,864,248	8,159,796	8,159,796	--
93.070	Environmental Public Health and Emergency Response	1,677,685	82,549	1,760,234	1,760,234	--
93.071	Medicare Enrollment Assistance Program	--	203,693	203,693	203,693	--
93.082	Sodium Reduction in Communities	60,897	31,213	92,110	92,110	--
93.088	Advancing System for Key Issues in Women's Health	154,147	--	154,147	--	154,147
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	(5,188)	--	(5,188)	(5,188)	--
93.090	Guardianship Assistance	5,285,476	--	5,285,476	5,285,476	--
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	260,121	341,545	601,666	601,666	--
93.103	Food and Drug Administration_Research	880,612	--	880,612	880,612	--
93.110	Maternal and Child Health Federal Consolidated Programs	317,519	--	317,519	317,519	--
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	425,237	114,064	539,301	539,301	--
93.127	Emergency Medical Services for Children	129,892	--	129,892	129,892	--
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	199,685	--	199,685	199,685	--
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	55,000	--	55,000	--	55,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,062,813	89,205	1,152,018	1,152,018	--
93.150	Projects for Assistance in Transition from Homelessness (PATH)	(1,328)	559,204	557,876	557,876	--
93.161	Health Program for Toxic Substances and Disease Registry	178,644	(2,012)	176,632	176,632	--
93.197	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	164,932	--	164,932	164,932	--
93.217	Family Planning_Services	498,367	2,191,757	2,690,124	2,690,124	--
93.235	Affordable Care Act (ACA) Abstinence Education Program	426,702	--	426,702	426,702	--
93.236	Grants to States to Support Oral Health Workforce Activities	431,244	--	431,244	431,244	--
93.240	State Capacity Building	461,242	--	461,242	461,242	--
93.241	State Rural Hospital Flexibility Program	10,000	--	10,000	--	10,000
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	1,144,233	857,402	2,001,635	2,001,635	--
93.251	Universal Newborn Hearing Screening	347,626	--	347,626	347,626	--
93.262	Occupational Safety and Health Program	90,855	124,631	215,486	215,486	--
93.268	Immunization Cooperative Agreements	47,601,460	600	47,602,060	47,602,060	--
93.270	Adult Viral Hepatitis Prevention and Control	166,348	--	166,348	166,348	--
93.275	Substance Abuse and Mental Health Services-Access to Recovery	(102,591)	--	(102,591)	(102,591)	--
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	8,409,214	352,535	8,761,749	8,761,749	--

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.317	Emerging Infections Programs		88,689	--	88,689	88,689	--
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		1,135,006	--	1,135,006	1,135,006	--
93.324	State Health Insurance Assistance Program		5,133	--	5,133	5,133	--
93.369	ACL Independent Living State Grants		40,466	--	40,466	40,466	--
93.464	ACL Assistive Technology		--	71,616	71,616	71,616	--
93.500	Pregnancy Assistance Fund Program		258,240	822,209	1,080,449	1,080,449	--
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		3,317,962	4,380,058	7,698,020	7,698,020	--
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		103,373	--	103,373	103,373	--
93.507	PPHF National Public Health Improvement Initiative		366,682	(9,776)	356,906	356,906	--
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		1,550,192	--	1,550,192	1,550,192	--
93.517	Affordable Care Act – Aging and Disability Resource Center		214,902	702,151	917,053	917,053	--
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF		2,016,162	97,569	2,113,731	2,113,731	--
93.523	The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities		71,000	--	71,000	71,000	--
93.524	Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF-)		34,998	--	34,998	--	34,998
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		186,104	--	186,104	186,104	--
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program		67,744	--	67,744	67,744	--
93.556	Promoting Safe and Stable Families		3,509,533	1,812,155	5,321,688	5,321,688	--
93.563	Child Support Enforcement		44,534,299	9,538,756	54,073,055	54,073,055	--
93.566	Refugee and Entrant Assistance_State Administered Programs		2,525,515	--	2,525,515	2,525,515	--
93.568	Low-Income Home Energy Assistance		1,249,358	32,470,645	33,720,003	33,720,003	--
93.569	Community Services Block Grant		199,097	4,949,313	5,148,410	5,148,410	--
93.576	Refugee and Entrant Assistance_Discretionary Grants		53,437	--	53,437	53,437	--
93.579	U.S. Repatriation		(2,544)	--	(2,544)	(2,544)	--
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants		564,695	--	564,695	564,695	--
93.586	State Court Improvement Program		514,150	--	514,150	514,150	--
93.590	Community-Based Child Abuse Prevention Grants		200,977	--	200,977	200,977	--
93.597	Grants to States for Access and Visitation Programs		33,646	80,752	114,398	114,398	--
93.599	Chafee Education and Training Vouchers Program (ETV)		391,683	--	391,683	391,683	--

93.600	Head Start	1,219,543	--	1,219,543	1,219,543	--
93.601	Child Support Enforcement Demonstrations and Special Projects	95,416	798	96,214	96,214	--
93.605	Family Connection Grants	383,973	--	383,973	383,973	--
93.617	Voting Access for Individuals with Disabilities_Grants to States	--	6,484	6,484	6,484	--
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	13,531,055	858,006	14,389,061	14,389,061	--
93.630	Developmental Disabilities Basic Support and Advocacy Grants	856,446	--	856,446	856,446	--
93.643	Children's Justice Grants to States	214,446	--	214,446	214,446	--
93.645	Stephanie Tubbs Jones Child Welfare Services Program	3,035,064	--	3,035,064	3,035,064	--
93.652	Adoption Opportunities	686,346	--	686,346	686,346	--
93.658	Foster Care Title IV-E	94,453,213	1,468,921	95,922,134	95,922,134	--
93.659	Adoption Assistance	44,960,776	--	44,960,776	44,960,776	--
93.667	Social Services Block Grant	14,777,822	5,155,284	19,933,106	19,933,106	--
93.669	Child Abuse and Neglect State Grants	270,880	--	270,880	270,880	--
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	4,922	1,312,336	1,317,258	1,317,258	--
93.674	Chafee Foster Care Independence Program	2,211,441	--	2,211,441	2,211,441	--
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	890,541	--	890,541	890,541	--
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	280,977	50,734	331,711	331,711	--
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	227,330	--	227,330	227,330	--
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	91,733	--	91,733	91,733	--
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	570,558	211,311	781,869	781,869	--
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	555,040	64,245	619,285	619,285	--
93.767	Children's Health Insurance Program	156,720,237	--	156,720,237	156,720,237	--
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	441,083	188,000	629,083	629,083	--
93.791	Money Follows the Person Rebalancing Demonstration	299,945	--	299,945	299,945	--
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	2,484,409	--	2,484,409	2,484,409	--
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	282	--	282	282	--
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	28,611	--	28,611	28,611	--
93.855	Allergy and Infectious Disease Research	3,503	--	3,503	--	3,503
93.889	National Bioterrorism Hospital Preparedness Program	1,986,866	1,150,170	3,137,036	3,137,036	--
93.917	HIV Care Formula Grants	5,696,713	1,391,789	7,088,502	7,088,502	--
93.940	HIV Prevention Activities Health Department Based	949,236	1,003,970	1,953,206	1,953,206	--

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		666,005	462,210	1,128,215	1,128,215	--
93.945	Assistance Programs for Chronic Disease Prevention and Control		1,740,393	219,373	1,959,766	1,959,766	--
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		134,683	--	134,683	134,683	--
93.958	Block Grants for Community Mental Health Services		(577,458)	8,575,156	7,997,698	7,997,698	--
93.959	Block Grants for Prevention and Treatment of Substance Abuse		372,235	18,780,948	19,153,183	19,153,183	--
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants		1,013,513	--	1,013,513	1,013,513	--
93.991	Preventive Health and Health Services Block Grant		97,163	43,737	140,900	140,900	--
93.994	Maternal and Child Health Services Block Grant to the States		2,406,082	2,720,841	5,126,923	5,126,923	--
93.XXX	Other Department of Health and Human Services Programs HHS500201100039C		903	--	903	903	--
93.XXX	Total Other Department of Health and Human Services Programs		\$ 903	\$ --	\$ 903	\$ 903	\$ --
Total Department of Health and Human Services			\$ 492,282,891	\$ 109,374,816	\$ 601,657,707	\$ 601,400,059	\$ 257,648
Corporation For National and Community Service							
94.003	State Commissions		\$ 75,615	\$ 170,825	\$ 246,440	\$ 246,440	\$ --
94.006	AmeriCorps		10,570	2,934,645	2,945,215	2,945,215	--
94.007	Program Development and Innovation Grants		1,482	3,475	4,957	4,957	--
94.013	Volunteers in Service to America		22,367	--	22,367	--	22,367
Total Corporation For National and Community Service			\$ 110,034	\$ 3,108,945	\$ 3,218,979	\$ 3,196,612	\$ 22,367
Office of National Drug Control Policy Reauthorization Act of 2006							
95.001	High Intensity Drug Trafficking Areas Program		\$ 1,795,389	\$ 1,462,090	\$ 3,257,479	\$ 3,257,479	\$ --
Total Office of National Drug Control Policy Reauthorization Act of 2006			\$ 1,795,389	\$ 1,462,090	\$ 3,257,479	\$ 3,257,479	\$ --
Social Security Administration							
96.008	Social Security-Work Incentives Planning and Assistance Program		\$ 29,370	\$ --	\$ 29,370	\$ 29,370	\$ --
Total Social Security Administration			\$ 29,370	\$ --	\$ 29,370	\$ 29,370	\$ --
Department of Homeland Security							
97.012	Boating Safety Financial Assistance		\$ 326,879	\$ 1,303,063	\$ 1,629,942	\$ 1,629,942	\$ --
97.023	Community Assistance Program-State Support Services Element (CAP-SSSE)		146,386	--	146,386	146,386	--
97.029	Flood Mitigation Assistance		303,418	44,565	347,983	347,983	--
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		337,207	9,624,342	9,961,549	9,961,549	--
97.039	Hazard Mitigation Grant		593,421	1,944,918	2,538,339	2,538,339	--
97.040	Chemical Stockpile Emergency Preparedness Program		(3,773)	--	(3,773)	(3,773)	--
97.041	National Dam Safety Program		142,462	--	142,462	142,462	--
97.042	Emergency Management Performance Grants		1,065,132	4,642,090	5,707,222	5,707,222	--

97.043	State Fire Training Systems Grants	18,490	--	18,490	18,490	--
97.044	Assistance to Firefighters Grant	123,722	--	123,722	123,722	--
97.045	Cooperating Technical Partners	602,072	--	602,072	602,072	--
97.046	Fire Management Assistance Grant	15,929,013	--	15,929,013	15,929,013	--
97.047	Pre-Disaster Mitigation	19,547	189,615	209,162	209,162	--
97.056	Port Security Grant Program	254,000	--	254,000	254,000	--
97.070	Map Modernization Management Support	113,515	--	113,515	113,515	--
97.082	Earthquake Consortium	(855)	--	(855)	(855)	--
Total Department of Homeland Security		\$ 19,970,636	\$ 17,748,593	\$ 37,719,229	\$ 37,719,229	\$ --
SNAP Cluster						
10.551	ARRA - Supplemental Nutrition Assistance Program	\$ 3,165,797	\$ --	\$ 3,165,797	\$ 3,165,797	\$ --
10.551	Supplemental Nutrition Assistance Program	1,152,529,327	--	1,152,529,327	1,152,529,327	--
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	87,265,457	--	87,265,457	87,265,457	--
Total SNAP Cluster		\$ 1,242,960,581	\$ --	\$ 1,242,960,581	\$ 1,242,960,581	\$ --
Child Nutrition Cluster						
10.553	School Breakfast Program	\$ 348,937	\$ 36,772,264	\$ 37,121,201	\$ 37,121,201	\$ --
10.555	National School Lunch Program	633,193	123,145,798	123,778,991	123,778,991	--
10.556	Special Milk Program for Children	--	119,961	119,961	119,961	--
10.559	Summer Food Service Program for Children	2,765,197	6,634,148	9,399,345	9,399,345	--
Total Child Nutrition Cluster		\$ 3,747,327	\$ 166,672,171	\$ 170,419,498	\$ 170,419,498	\$ --
Food Distribution Cluster						
10.565	Commodity Supplemental Food Program	\$ 14,676	\$ 495,908	\$ 510,584	\$ 510,584	\$ --
10.568	Emergency Food Assistance Program (Administrative Costs)	49,602	1,128,238	1,177,840	1,177,840	--
10.569	Emergency Food Assistance Program (Food Commodities)	--	6,459,380	6,459,380	6,459,380	--
Total Food Distribution Cluster		\$ 64,278	\$ 8,083,526	\$ 8,147,804	\$ 8,147,804	\$ --
Food Service Schools and Roads Cluster						
10.665	Schools and Roads-Grants to States	\$ 403,596	\$ 58,498,303	\$ 58,901,899	\$ 58,498,303	\$ 403,596
Total Food Service Schools and Roads Cluster		\$ 403,596	\$ 58,498,303	\$ 58,901,899	\$ 58,498,303	\$ 403,596
Economic Development Cluster						
11.307	Economic Adjustment Assistance	\$ 7,454,009	\$ --	\$ 7,454,009	\$ 7,454,009	\$ --
Total Economic Development Cluster		\$ 7,454,009	\$ --	\$ 7,454,009	\$ 7,454,009	\$ --
CDBG - State Administered CDBG Cluster						
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$ 628,867	\$ 10,299,977	\$ 10,928,844	\$ 10,928,844	\$ --
Total CDBG - State Administered CDBG Cluster		\$ 628,867	\$ 10,299,977	\$ 10,928,844	\$ 10,928,844	\$ --

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Fish and Wildlife Cluster							
15.605	Sport Fish Restoration Program		\$ 5,434,366	\$ 993,119	\$ 6,427,485	\$ 6,427,485	\$ --
15.611	Wildlife Restoration and Basic Hunter Education		11,392,902	--	11,392,902	11,392,902	--
Total Fish and Wildlife Cluster			\$ 16,827,268	\$ 993,119	\$ 17,820,387	\$ 17,820,387	\$ --
JAG Program Cluster							
16.738	Edward Byrne Memorial Justice Assistance Grant Program		\$ 698,062	\$ 1,598,619	\$ 2,296,681	\$ 1,938,545	\$ 358,136
Total JAG Program Cluster			\$ 698,062	\$ 1,598,619	\$ 2,296,681	\$ 1,938,545	\$ 358,136
Employment Service Cluster							
17.207	Employment Service/Wagner-Peyser Funded Activities		\$ 8,584,345	\$ --	\$ 8,584,345	\$ 8,584,345	\$ --
17.801	Disabled Veterans' Outreach Program (DVOP)		2,747,078	--	2,747,078	2,747,078	--
17.804	Local Veterans' Employment Representative Program		307,080	--	307,080	307,080	--
Total Employment Service Cluster			\$ 11,638,503	\$ --	\$ 11,638,503	\$ 11,638,503	\$ --
WIA Cluster							
17.258	WIA Adult Program		\$ 524,026	\$ 9,513,805	\$ 10,037,831	\$ 10,037,831	\$ --
17.259	WIA Youth Activities		633,158	9,097,400	9,730,558	9,730,558	--
17.278	WIA Dislocated Worker Formula Grants		2,343,260	10,890,665	13,233,925	13,233,925	--
Total WIA Cluster			\$ 3,500,444	\$ 29,501,870	\$ 33,002,314	\$ 33,002,314	\$ --
Highway Planning and Construction Cluster							
20.205	Highway Planning and Construction		\$ 371,107,562	\$ 37,205,694	\$ 408,313,256	\$ 408,313,256	\$ --
20.219	Recreational Trails Program		369,102	1,256,106	1,625,208	1,625,208	--
Total Highway Planning and Construction Cluster			\$ 371,476,664	\$ 38,461,800	\$ 409,938,464	\$ 409,938,464	\$ --
Federal Transit Cluster							
20.500	Federal Transit_Capital Investment Grants		\$ --	\$ 836,822	\$ 836,822	\$ 836,822	\$ --
20.507	Federal Transit_Formula Grants		3,168,288	--	3,168,288	3,168,288	--
Total Federal Transit Cluster			\$ 3,168,288	\$ 836,822	\$ 4,005,110	\$ 4,005,110	\$ --
Highway Safety Cluster							
20.600	State and Community Highway Safety		\$ 1,536,194	\$ 839,318	\$ 2,375,512	\$ 2,375,512	\$ --
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I		316,248	372,791	689,039	689,039	--
20.602	Occupant Protection Incentive Grants		--	131,812	131,812	131,812	--
20.609	Safety Belt Performance Grants		4,596	--	4,596	4,596	--
20.612	Incentive Grant Program to Increase Motorcyclist Safety		5,745	--	5,745	5,745	--
20.616	National Priority Safety Programs		1,320,512	905,565	2,226,077	2,226,077	--
Total Highway Safety Cluster			\$ 3,183,295	\$ 2,249,486	\$ 5,432,781	\$ 5,432,781	\$ --

Transit Services Programs Cluster											
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	\$	864,639	\$	13,257,457	\$	14,122,096	\$	14,122,096	\$	--
20.516	Job Access and Reverse Commute Program		1,039		128,983		130,022		130,022		--
20.521	New Freedom Program		--		101,562		101,562		101,562		--
Total Transit Services Programs Cluster		\$	865,678	\$	13,488,002	\$	14,353,680	\$	14,353,680	\$	--
Clean Water State Revolving Fund Cluster											
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$	--	\$	17,546,829	\$	17,546,829	\$	17,546,829	\$	--
Total Clean Water State Revolving Fund Cluster		\$	--	\$	17,546,829	\$	17,546,829	\$	17,546,829	\$	--
Drinking Water State Revolving Fund Cluster											
66.468	Capitalization Grants for Drinking Water State Revolving Funds	\$	3,206,615	\$	3,817,286	\$	7,023,901	\$	7,023,901	\$	--
Total Drinking Water State Revolving Fund Cluster		\$	3,206,615	\$	3,817,286	\$	7,023,901	\$	7,023,901	\$	--
Special Education Cluster (IDEA)											
84.027	Special Education_Grants to States	\$	6,258,266	\$	119,524,333	\$	125,782,599	\$	125,782,599	\$	--
84.173	Special Education_Preschool Grants		197,990		2,850,214		3,048,204		3,048,204		--
Total Special Education Cluster (IDEA)		\$	6,456,256	\$	122,374,547	\$	128,830,803	\$	128,830,803	\$	--
TRIO Cluster											
84.042	TRIO_Student Support Services	\$	859,150	\$	--	\$	859,150	\$	859,150	\$	--
84.047	TRIO_Upward Bound		246,008		--		246,008		246,008		--
84.217	TRIO_McNair Post-Baccalaureate Achievement		232,851		--		232,851		232,851		--
Total TRIO Cluster		\$	1,338,009	\$	--	\$	1,338,009	\$	1,338,009	\$	--
School Improvement Grants Cluster											
84.377	School Improvement Grants	\$	282,492	\$	3,770,928	\$	4,053,420	\$	4,053,420	\$	--
Total School Improvement Grants Cluster		\$	282,492	\$	3,770,928	\$	4,053,420	\$	4,053,420	\$	--
Statewide Data Systems Cluster											
84.384	Statewide Data Systems	\$	120,844	\$	--	\$	120,844	\$	120,844	\$	--
Total Statewide Data Systems Cluster		\$	120,844	\$	--	\$	120,844	\$	120,844	\$	--
Aging Cluster											
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	\$	351,886	\$	3,744,948	\$	4,096,834	\$	4,096,834	\$	--
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services		530,902		6,963,157		7,494,059		7,494,059		--
93.053	Nutrition Services Incentive Program		--		1,998,410		1,998,410		1,998,410		--
Total Aging Cluster		\$	882,788	\$	12,706,515	\$	13,589,303	\$	13,589,303	\$	--
TANF Cluster											
93.558	Temporary Assistance for Needy Families	\$	207,985,727	\$	476,972	\$	208,462,699	\$	208,462,699	\$	--
Total TANF Cluster		\$	207,985,727	\$	476,972	\$	208,462,699	\$	208,462,699	\$	--

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, 2015 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
CCDF Cluster							
93.575	Child Care and Development Block Grant		\$ 27,455,338	\$ 7,592,687	\$ 35,048,025	\$ 35,048,025	\$ --
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		29,966,192	241,432	30,207,624	30,207,624	--
Total CCDF Cluster			\$ 57,421,530	\$ 7,834,119	\$ 65,255,649	\$ 65,255,649	\$ --
Medicaid Cluster							
93.775	State Medicaid Fraud Control Units		\$ 1,660,238	\$ --	\$ 1,660,238	\$ 1,660,238	\$ --
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		4,331,719	--	4,331,719	4,331,719	--
93.778	ARRA - Medical Assistance Program		27,212,241	--	27,212,241	27,212,241	--
93.778	Medical Assistance Program		6,534,113,185	--	6,534,113,185	6,534,113,185	--
Total Medicaid Cluster			\$ 6,567,317,383	\$ --	\$ 6,567,317,383	\$ 6,567,317,383	\$ --
Disability Insurance/SSI Cluster							
96.001	Social Security_Disability Insurance		\$ 28,725,561	\$ --	\$ 28,725,561	\$ 28,725,561	\$ --
Total Disability Insurance/SSI Cluster			\$ 28,725,561	\$ --	\$ 28,725,561	\$ 28,725,561	\$ --
Homeland Security Cluster							
97.008	Non-Profit Security Program		\$ 6,383	\$ 1,473,757	\$ 1,480,140	\$ 1,480,140	\$ --
97.053	Citizens-Community Resilience Innovation Challenge		23,844	--	23,844	23,844	--
97.071	Metropolitan Medical Response System		34,538	--	34,538	34,538	--
97.073	State Homeland Security Program (SHSP)		2,169,578	3,371,619	5,541,197	5,541,197	--
Total Homeland Security Cluster			\$ 2,234,343	\$ 4,845,376	\$ 7,079,719	\$ 7,079,719	\$ --
Student Financial Assistance Programs							
84.007	Federal Supplemental Educational Opportunity Grants		\$ 755,127	\$ --	\$ 755,127	\$ 755,127	\$ --
84.033	Federal Work-Study Program		1,014,278	--	1,014,278	1,014,278	--
84.038	Federal Perkins Loan Program_Federal Capital Contributions		2,109,171	--	2,109,171	2,109,171	--
84.063	Federal Pell Grant Program		29,592,536	--	29,592,536	29,592,536	--
84.268	Federal Direct Student Loans		96,186,541	--	96,186,541	96,186,541	--
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		44,659	--	44,659	44,659	--
Total Student Financial Assistance Programs			\$ 129,702,312	\$ --	\$ 129,702,312	\$ 129,702,312	\$ --

Research and Development Cluster						
Research and Development – Department of Agriculture						
10.200	Grants for Agricultural Research, Special Research Grants	\$ 96	\$ --	\$ 96	\$ --	\$ 96
10.558	Child and Adult Care Food Program	5,445	--	5,445	5,445	--
Research and Development – Department of Commerce						
11.307	Economic Adjustment Assistance	47,358	--	47,358	--	47,358
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	54,711	--	54,711	--	54,711
Research and Development – Department of Housing and Urban Development						
15.224	Cultural Resource Management	18,168	--	18,168	18,168	--
15.231	Fish, Wildlife and Plant Conservation Resource Management	58,145	--	58,145	58,145	--
15.238	Challenge Cost Share	103	--	103	103	--
15.657	Endangered Species Conservation - Recovery Implementation Funds	4,562	--	4,562	4,562	--
15.915	Technical Preservation Services	8,582	--	8,582	8,582	--
15.945	Cooperative Research and Training Programs - Resources of the National Park System	228,661	--	228,661	228,661	--
Research and Development – Department of Transportation						
20.701	University Transportation Centers Program	137,880	--	137,880	--	137,880
Research and Development – National Science Foundation						
47.049	Mathematical and Physical Sciences	6,061	--	6,061	--	6,061
47.050	Geosciences	31,696	--	31,696	31,696	--
47.074	Biological Sciences	46,434	--	46,434	46,434	--
47.075	Social, Behavioral, and Economic Sciences	13,066	--	13,066	13,066	--
47.076	Education and Human Resources	35,621	--	35,621	33,989	1,632
Research and Development – Department of Energy						
81.049	Office of Science Financial Assistance Program	212,239	--	212,239	--	212,239
Research and Development – Department of Education						
84.133	National Institute on Disability and Rehabilitation Research	121,834	13,472	135,306	135,306	--
84.327	Special Education_Educational Technology Media, and Materials for Individuals with Disabilities	100	--	100	--	100
84.365	English Language Acquisition State Grants	325,630	61,139	386,769	386,769	--
Research and Development – Department of Health and Human Services						
93.110	Maternal and Child Health Federal Consolidated Programs	291,434	--	291,434	291,434	--
93.708	Head Start	4,067	--	4,067	--	4,067
Total Research and Development Cluster		\$ 1,651,893	\$ 74,611	\$ 1,726,504	\$ 1,262,360	\$ 464,144
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 10,144,699,351	\$ 967,436,958	\$ 11,112,136,309	\$ 11,106,569,217	\$ 5,567,092

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of
Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Note 1. Basis of Presentation

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Reporting Entity

The financial statements of the State of Oregon include all fund types for all agencies, boards, commissions, authorities, courts, and colleges and universities that are legally part of the State's primary government and its component units. The Oregon Health and Science University (OHSU), University of Oregon (UO), Oregon State University (OSU) and Portland State University (PSU) are legally separate component units. For the year ended June 30, 2015, OHSU, UO, OSU and PSU have issued separate financial statements and have obtained a separate single audit as outlined in Subpart E.500 of OMB Circular A-133. Therefore, the accompanying schedule does not include the federal grant activity of OHSU, UO, OSU, and PSU. A copy of these reports can be obtained from these institutions as follows:

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

UO, 677 East 12th Ave, Suite 400, Eugene, Oregon 97403.

OSU, 122 Kerr Administration Building, Corvallis, Oregon 97331.

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

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.

CFDA			
Number	Title	Type of Assistance	Value
10.555	National School Lunch Program	Commodities	\$ 12,180,383
10.559	Summer Food Service Program for Children	Commodities	28,761
10.565	Commodity Supplemental Food Program	Commodities	387,213
10.567	Food Distribution Program on Indian Reservations	Commodities	101,918
10.569	Emergency Food Assistance Program	Commodities	6,459,380
39.003	Donation of Federal Surplus Personal Property	Donated Federal Surplus	960,434
93.268	Immunization Cooperative Agreements	Vaccines	<u>43,463,854</u>
	Total		<u>\$ 63,581,943</u>

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 CFDA 17.225 (Unemployment Insurance Program). Of the \$643,472,138.10 reported as expenditure for the Unemployment Insurance program, \$550,033,631.90 represented expenditures of State funds held in the Unemployment Trust Fund.

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 5. Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level; however, Recovery Act funds account for 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

Note 6. Revolving Loan Fund (RLF) Grant (CFDA 11.307)

The Expenditures for the Revolving Loan Fund (RLF) Grant (CFDA 11.307) made during the year ended June 30, 2015 are calculated as follows:

1) Balance of RLF loans outstanding at the end of the fiscal year	\$ 5,683,001
2) Cash and investment balance in the RLF at the end of fiscal year	4,236,837
3) Administrative expenses paid out of RLF income during the recipient's fiscal year	18,841
4) The unpaid principal of all loans written off during the fiscal year	<u>0</u>
Total	\$ 9,938,679
5) The Federal Share of RLF (2,000,000/2,667,000)	<u>75%</u>
6) Federal Awards Expended during the fiscal year	<u>\$ 7,454,009</u>

Note 7. Pass-Through Awards

The State of Oregon received the following amounts as a subrecipient of non-federal entities:

<u>CFDA</u>			
Number	Organization	Amount	ID Number
10.025	Washington State University	\$ 25,669	0640301000000
10.200	University of Washington	96	2010-38500-21758
10.665	Clackamas County	44,245	1936002286000
10.665	Jackson County	252,918	1936002298000
10.665	Linn County	174,610	1936002305000
10.665	Tillamook County	119,703	1936002312000
11.307	Columbia River Economic Development Council	38,091	Not Available
11.307	Portland Development Commission	9,267	Not Available
11.407	Pacific States Marine Fish Com	48,985	936002376
11.419	University of New Hampshire	187,625	1026000937 000
11.432	Oregon State University	40,593	NB244R-A
11.437	Pacific States Marine Fish Com	962,644	936002376
11.438	Pacific Salmon Commission	(726,135)	9909840528
11.439	Pacific States Marine Fish Com	45,958	936002376
11.441	North Pacific Fishery Mgmt Con	18,816	920060367
11.441	Pacific Fishery Mgmt Council	105,764	910982918
11.441	Pacific States Marine Fish Com	47,430	936002376
12.106	Pacific States Marine Fish Com	84,985	936002376
14.239	City of Salem	70,698	40000000000011

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

15.227	Benton County	3,270	1936002285
15.234	Josephine County	89,043	1936002300
16.582	Natl Assoc Voca Asst Administr	3,250	1682
16.585	Columbia County	13,409	1022
16.585	Harney County	4,515	1023
16.585	Josephine County	6,311	1018
16.585	Marion County	81,719	1029
16.590	Lane County	8,379	1013
16.738	Lutheran Community Services NW	93,867	1024
16.738	Marion County	124,791	1029
16.738	Multnomah County	76,878	1020
16.738	Union County	48,956	1011
16.812	Clackamas County	2,716	1030
20.614	Safe States Alliance	6,725	40000000000018
20.701	Portland State University	67,711	JENNIFER WARD PSU
20.701	Portland State University	71,111	Not Available
43.001	Oregon State University	48,411	OREGON\NASASPACEGRANT CONSOR
47.049	Willamette University	6,061	SUB AG WU-NSFRCN-06-2013
47.076	El Camino Community College	46	NSF 0168669
47.076	El Camino Community College	300	PO610285
47.076	Rogue Community College	1,287	Not Available
59.037	Lane Community College	500	SBAHQ-15-B-0016
59.037	Lane Community College	27,030	SBAHQ-12-B-0031
59.037	Lane Community College	30,561	MATCH REQD
59.037	Lane Community College	51,075	Not Available
81.049	Dept. of Energy Environmental Restoration	212,240	1992-026-01
81.106	Western Governors' Association	61,037	00000000000045
81.112	Western Governors' Association	27,828	0840747227000
81.117	WA State Dept. of Commerce	267,499	00000000006000
84.116	Willamette University	(131)	SUB AG WU-FIPSE02-13
84.326	California State University Northridge	34,983	SUB AWARDF-11-2963-3WOU
84.326	California State University Northridge	100,189	SUB CONTF-11-2963 H326D110003
84.326	South Carolina School for the Deaf and Blind	10,460	SUBGRANT OF H326C080022
84.327	Oregon Health & Science University	7,086	SUB OF USDE H327S130010
84.327	Oregon Health & Science University	10,927	MAIN GRANT H327S130010
84.327	University of Oregon	100	H327A990081
84.367	National Writing Project	(3,000)	92-OR01-SEED2012
84.367	National Writing Project	12,013	Not Available
84.367	National Writing Project	23,090	92-OR02-SEED2012
93.088	Futures Without Violence	154,147	40000000000012
93.135	Oregon State University	55,000	30000000000004
93.241	Oregon Health & Science University	10,000	20000000000011
93.524	Task Force for Global Health	34,998	40000000000016
93.708	Oregon Childhood Development Coalition	4,067	LETTER OF AGREEMENT
93.855	University of Washington	3,503	30000000000001
94.013	Corp for NTL & Comm Service	22,367	10000000000007
11.XXX	Pacific Salmon Commission	14,989	9909840528
11.XXX	Pacific States Marine Fish Com	101,782	936002376
81.XXX	Confed Tribes Umatilla Indian	195,629	930624734
81.XXX	Pacific States Marine Fish Com	<u>1,523,001</u>	936002376
		<u>\$ 5,303,688</u>	

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

yes no

Significant deficiencies identified that are not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

yes no

Significant deficiencies identified that are not considered to be material weaknesses?

yes none reported

Type of auditor’s report issued on compliance for major programs:

Qualified:

Immunization Cooperative Agreements, Foster Care - Title IV-E, Adoption Assistance - Title IV-E Child Care and Development Fund (CCDF) Cluster, Medicaid Cluster

Unmodified:

All Other Major Programs

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes no

Identification of Major Programs

CFDA#	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
17.225	Unemployment Insurance
84.010	Title I, Part A
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.658	Foster Care Title IV-E
93.659	Adoption Assistance Title IV-E
97.046	Fire Management Assistance Grant
cluster	Supplemental Nutrition Assistance Program (SNAP) Cluster
cluster	Child Nutrition Cluster
cluster	Workforce Investment Act (WIA) Cluster
cluster	Special Education (IDEA) Cluster
cluster	Child Care and Development Fund (CCDF) Cluster
cluster	Medicaid Cluster
cluster	Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

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

2015-001 Department of Human Services/Oregon Health Authority

Evidence of Key System Updates Should Be Retained

Significant Deficiency

The Department of Human Services (department) and Oregon Health Authority (authority) expended more than \$10 billion in state and federal funds to provide services to Oregonians during fiscal year 2015. The department and authority rely on multiple systems to process these transactions, which interface into the state's accounting system (SFMA).

The systems are coded to split the expenditures between state and federal funding sources to pay for the provided services. When changes to the state and federal funding splits are required, the system coding is updated accordingly. The department was able to describe the controls intended to ensure the split rates are correctly updated in the systems, but did not retain evidence the controls were in place during the fiscal year. Compensating controls are in place to detect a material miscoding; however, based on the design of the compensating controls, the detection of the material miscoding would not occur in a timely manner.

Other system coding updates are, at times, required to address changes to federal programs such as the expansion of services provided. The department was unable to provide support for one system that coding updated during the year was reviewed for accuracy thereby substantiating that the state and federal amounts paid were reasonable.

Department management is responsible for maintaining adequate documentation of the proper functioning of controls intended to ensure expenditures are paid at the proper state and federal rates. Payments made at higher than allowable federal rates could result in overpayments of federal funds. Conversely, if the state pays more than necessary, this reduces the level of services that could possibly be provided using state funds.

We recommend department management ensure that adequate documentation is retained to demonstrate controls are operating as intended to ensure that expenditures are paid at proper rates.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The Office of Financial Services has developed a "System Update Tracking Sheet" as documentation when federal funding split codes rate changes are updated or modified in systems. The tracking sheet was implemented with the federal rate changes effective October 1, 2015.

Anticipated Completion Date: October 1, 2015

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

2015-002 Department of Human Services/Oregon Health Authority
Identifying Year End Interagency and Interfund Entries
Significant Deficiency

To properly present the state's financial statements, agencies are responsible for reporting whether they owe funds to another agency or GAAP fund or whether funds are owed back to them. This is accomplished by recording a "Due to Other Funds" (due to) or "Due from Other Funds" (due from) during the fiscal year-end closing process. We noted the following during fiscal year testing:

- During the year, \$15.6 million of expenditures typically paid from the Health Services Fund (GAAP fund 5006) were paid for from the General Fund. At the end of the fiscal year, a due to and due from should have been posted to properly reflect the expenditures as belonging to GAAP fund 5006 and the amount owed to the General Fund. Further, an accompanying year end accrual in GAAP Fund 5006 was not posted to properly record the total expenditures related to the fiscal year.
- A \$70.4 million due to and due from was recorded in the General Fund (GAAP Fund 0001) and also in the Health and Social Services Fund (GAAP Fund 1108). The creation of the due to and due from was an unintended consequence of an entry that was recorded to make adjustments to the underlying coding in the accounting system. The entries resulted in an overstatement to the due to and due from accounts in each GAAP fund as there were no actual amounts owed to either GAAP Fund.

We recommend department management consider the financial statement impact resulting from adjustments or entries made in underlying coding to ensure amounts are properly reported.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The Office of Financial Services Statewide Financial Reporting unit will modify the communication process for financial statement preparation to ensure that it receives noted transaction information with sufficient time to review entries for proper reporting. The review will include an analysis of the financial impact resulting from the entries. The noted issues have also been added to the units final review processing.

Anticipated Completion Date: July 1, 2016

2015-003 Department of Administrative Services
Operating Lease and Moving Costs Should Not Be Capitalized
Significant Deficiency

The department owns and operates approximately three million square feet of building space that is generally occupied by state agencies. The department's management is responsible for rehabilitation projects and maintaining the buildings in operating order with the expectation they provide a safe working environment for state employees and members of the public while continuing to serve the state through the term of their established useful lives. During

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

significant rehabilitation and remodeling projects, staff may be temporarily relocated to another building. According to accounting standards, rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense. Costs should only be capitalized if they relate specifically to the long-term value of the building or structure.

During our audit we found the department capitalized costs totaling approximately \$2.2 million that should have been expensed. These costs included temporary operating leases, moving costs, monthly telecommunication services, and miscellaneous items at the temporary location such as cleaning services and ergonomic assessments for staff. The capitalization of these activities is not in accordance with generally accepted accounting standards as they do not extend the useful life or add value to the building undergoing rehabilitation.

Management's capitalization policy is too broad to ensure project level decisions of whether work should be capitalized or expensed are appropriate. Management does not exhibit a clear or comprehensive understanding of generally accepted accounting principles or financial reporting requirements in relation to the capitalization of fixed assets.

This is a repeat finding.

We recommend financial management receive training and seek guidance from appropriate accounting standards and resources to obtain a better understanding of how to properly record costs related to capital assets. We further recommend management develop a clear and detailed capitalization policy that ensures proper capitalization decisions and improves the review process prior to recording capitalization transactions for financial reporting purposes.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We generally agree with the recommendation.

While ongoing training is valuable, the significant deficiency identified by the Audits Division represents an oversight, and not a lack of understanding or disagreement about accounting principles. Though this is reported as a repeat finding, DAS Planning and Construction Management has developed and will improve a capitalization of assets policy to fully implement prior year audit recommendations. The corrective actions planned includes review and revision of the draft capitalization policy to clarify roles and processes for approval by management by the end of fiscal year 2016.

Anticipated Completion Date: June 30, 2016

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

During fiscal year 2015, the department received, processed, and deposited over \$8 billion in revenues from various tax programs. To facilitate efficient accounting, the department set up specific cash accounts for these tax programs. Much of the cash received is processed through the Revenue Suspense Account at the Oregon State Treasury before being transferred to the General Fund or other funds, as appropriate. State policy recommends departments reconcile

State of Oregon
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cash accounts regularly. Cash reconciliations are an important internal control to provide assurance that actual assets agree to recorded amounts.

The department's intended process is to reconcile cash accounts in its subsidiary accounting systems, on a monthly basis, to related accounts at the Oregon State Treasury and in the state accounting system. The department considers reconciliations timely if they are completed by the fifth day after the end of the following month (e.g., May's reconciliation is timely if completed by July 5th). All fiscal year 2015 monthly reconciliations of the department's subsidiary accounting systems to the Revenue Suspense Account at the Oregon State Treasury were completed by July 2015; however, 11 of the 12 were not completed timely. The timing ranged from 10 days to 7 months late. Additionally, 5 of 12 monthly reconciliations of the department's subsidiary systems to the state accounting system were not completed timely. These reconciliations ranged from 10 days to over 2 months late. Department management indicated staffing shortages and a need to redirect resources to the new tax revenue system contributed to the reconciliations not being completed timely. By not consistently performing reconciliations timely, there is an increased risk that errors will not be promptly detected and corrected.

We recommend department management ensure cash accounts in its subsidiary accounting systems are consistently and timely reconciled to the Oregon State Treasury accounts and the state accounting system.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

We have implemented a reconciliation review process to ensure all cash accounts are consistently and timely reconciled as of July 2015.

2015-005 Department of Revenue
Strengthen Controls to Ensure Supporting Documentation for Tax Revenue Transactions is Retained
Significant Deficiency

Agency management is responsible for maintaining a system of internal controls designed to provide reasonable assurance of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. A system of internal controls includes retaining documentation that supports transactions and having it readily available for examination. Additionally, state archiving requirements specify transaction input documentation should be retained for 4 years.

The department did not retain complete supporting documentation for fiscal year 2015 state accounting system tax revenue transactions. Of 106 transactions tested, 31 totaling over \$2 billion did not have documentation to support that the amounts were accurate and properly classified. Department staff overwrote electronic supporting documentation for the 31 transactions when they prepared subsequent transaction entries and did not retain copies of the overwritten support. Although we were able to verify through other audit procedures that these transactions were entered into the state accounting system accurately and were properly

classified, it is important to ensure controls are properly performed and documentation retained to support the effectiveness of controls and accuracy of transactions.

We recommend department management strengthen controls to ensure complete supporting documentation for all financial transactions is appropriately retained.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

We have strengthened our procedures related to financial transaction documentation which will help us ensure that complete supporting documentation is appropriately retained as of November 2015.

2015-006 Oregon Parks and Recreation Department
Transaction Entry and Review Procedures Need Improvement
Significant Deficiency

The state's accounting policy provides specific instruction for the processing of cash transactions, transfers, vouchers, and other financial statement adjustments. The state's accounting policy also requires agency management to develop control activities to ensure that transactions entered in the state's accounting system are valid, properly authorized, complete, and accurately recorded.

During our review of cash and transfers we discovered transactions were entered using incorrect coding and effective dates. The department's practice is for upper-level accounting staff or management to review each transaction before it is recorded in the state's accounting system. Although these reviews were performed, the following errors were not detected:

- Transfers in and transfers out were both overstated by \$1,001,575;
- A transfer to another agency was incorrectly dated resulting in an understatement of both cash and transfers out of \$312,809; and
- Over 130 transactions recorded to correct project coding inappropriately adjusted the year-end balance of cash in the Environmental Management Fund and in another fund by \$347,957.

We recommend management revisit state accounting policies related to recording transactions and ensure the transaction review process includes examination of proper coding and effective dates.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

Management will revisit state accounting policies related to recording transactions and ensure the transaction review process includes examination of proper coding and effective dates. We will work to document review procedures and then ensure review processes are followed.

Anticipated Completion Date: April 1, 2016

Section III – Federal Awards Findings and Questioned Costs

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

2015-007 Department of Human Services

Financial Transaction Processing Errors in OR-Kids

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1401OR1401; 2014, 1501ORFOST; 2015, 1401OR1407; 2014, 1501ORADPT; 2015
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	\$107,200

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

While reviewing the financial data processed by OR-Kids in fiscal year 2015, we identified errors that occurred when various types of corrections were made to placement information in the system. When placement corrections are initiated, OR-Kids issues a “new” payment, and simultaneously recovers the funds from the old payment, which generally should result in no payment to the provider.

For some placement corrections, OR-Kids recorded the “new” expenditure to the federal program when the recovery of funds related to a state only grant instead of the federal program. This results in the department incorrectly reporting and drawing federal funds for these transactions, as explained below:

- For some placement corrections related to service periods prior to fiscal year 2014, OR-Kids processes the recovery of the funds as revenue in a state grant. However, in these cases it should have also reduced the federal expenditures and increased state expenditures for correct financial reporting. This process did not occur, resulting in questioned costs of \$66,000 for Foster Care and \$24,000 for Adoption Assistance.
- For some placement corrections related to fiscal year 2014 service periods, OR-Kids processed the recovery of funds as an expenditure reduction to a state grant instead of to the federal program, resulting in inappropriate federal expenditures. We identified questioned costs of \$16,600 for Foster Care.
- Due to other OR-Kids edits, if a placement correction is made that requires a child to be entered in a different age range for services (after the child’s birthday), OR-Kids will not allow it. We noted cases where the “new” payment was processed at the new rate for a prior service period, and the recovery was processed at the old rate, resulting in overpayments to the provider. We identified questioned costs of \$600 for Foster Care.

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We also scanned transactions from the prior fiscal year and determined these transaction processing errors were occurring at that time.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

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

Anticipated Completion Date: December 31, 2016

**2015-008 Department of Human Services
Child Welfare System Allows Claims Outside Period of Performance**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1401OR1401; 2014, 1501ORFOST; 2015, 1401OR1407; 2014, 1501ORADPT; 2015
Compliance Requirement:	Period of Performance
Type of Finding:	Material Weakness, Material Noncompliance

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

During our audit, we determined the department’s child welfare system, OR-Kids, processes transactions as far back as January 1, 2008. The system was not designed to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of performance.

When preparing the quarterly expenditure reports during fiscal year 2015, the department used a process that nets increases and decreases recorded in the accounting system for prior quarter adjustments and excludes expenditures that have net increases that are older than two years from the report date. This process may result in not including adjustments that should be reported. The department adopted this process because of the limitations in the availability of data to determine the actual amount of transactions recorded outside the period of performance. For the quarter ended June 30, 2015, the department excluded \$377,000 in Title

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IV-E Adoption Assistance expenditures from the quarterly report as the department determined these expenditures were outside the period of performance. The department did not correct the accounting records to reduce federal expenditures for these reporting adjustments until after the audit period.

This issue was also reported in prior year findings 2013-025 and 2014-012.

We recommend department management implement system changes to OR-Kids to prevent transactions from reimbursing outside the period of performance. We also recommend management make timely adjustments to the accounting records to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of performance.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

Change requests have been written to correct the OR-Kids system issues identified in this finding. These changes will prevent the application of trust money to payments with service dates prior to January 1, 2008, prevent workers from being able to end a placement as "opened in error" when that placement has dates prior to January 1, 2008,, and not allow reimbursement greater than two years in the past.

Anticipated Completion Date: October 31, 2016

2015-009 Department of Human Services
Improve Child and Provider Eligibility Documentation

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1401OR1401; 2014, 1501ORFOST; 2015
Compliance Requirement:	Eligibility
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	\$4,020

Federal regulations require that the department meet certain requirements to receive Foster Care funding for certain child welfare expenditures. The department is required to determine child eligibility and maintain documentation of that determination, as well as ensuring providers have met a criminal background check, child abuse and neglect registry check (including other adults residing in the home), and the foster home is fully licensed. In Oregon, a provider home is fully licensed after initially completing a home study, criminal background check (including other adults living in the provider's home), and child and abuse neglect registry check (including other adults residing in the home); these checks must also be completed at each two-year renewal for continuing certification as a licensed foster home.

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

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- A child over age 18 received foster care reimbursement after the child had stopped attending school, making them ineligible for federal foster care payments, resulting in known questioned costs of \$1,400 and projected errors that total more than \$300,000.
- One case where the required initial home study for a provider was not signed or dated by the certifier or the supervisor. For initial certification, it has been the department's process to use the date the home study was signed by the supervisor. The date of certification in OR-Kids was in January 2015; the supervisor's electronic approval in OR-Kids was February 2015. There is no documentation to support the provider was certified in January 2015. The questioned costs for the provider in January were \$1,100.
- For one case, the department was unable to provide documentation to support that criminal background checks for other adults living in the provider's home were completed for the most recent renewal certification; the checks were completed for the prior renewal.
- One case where the department was unable to provide documentation to support that a child and abuse neglect registry check was completed for all adults in the home, and unable to support that a criminal background check was performed for another adult living in the provider's home for a renewal. A subsequent renewal had occurred and the department provided all required documentation.
- In one case, the department was unable to provide documentation to support that a home study and child and abuse neglect registry check was completed for a renewal. A subsequent renewal had occurred and the department provided all required documentation.
- One case where the department was unable to provide documentation to support that a child and abuse neglect registry check was completed for the most recent renewal certification; the checks were completed for the prior renewal.

We also performed procedures to determine if prior year eligibility errors had been corrected. For one provider that had lacked documentation to support certification in the prior year, some of the corrections had been made, but others remain outstanding; we identified an additional \$1,520 in questioned costs in fiscal year 2015.

This issue was also reported in prior year findings 2013-027 and 2014-014.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The Federal Policy, Planning and Resources unit provided a refresher training for Title IV-E eligibility specialists on February 25, 2016. This training included an overview of OR-Kids eligibility reports and recommended strategies for utilizing them to manage workload and support timely redeterminations.

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The department is required to complete our Program Improvement Plan (PIP) by June 22, 2016. The PIP is the result of a Federal Title IV-E Foster Care review in July 2014, in which Oregon was found not to be in substantial compliance with Title IV-E Foster Care regulations. The majority of the PIP is regarding how to improve the documentation of background check information and implementing a quality assurance process for monitoring certification.

The department has completed a significant design change to the OR-Kids provider module that will require that the home study and all background checks have an approval date prior to the foster care home becoming fully certified. This will be supported by an enhancement to the Foster Care Certification check list in which the OR-Kids functionality on this page will enforce compliance with rule and policy through system edits preventing system approval of a certificate unless required pieces of work have been entered. This will help drive appropriate certification practice. Included as part of the PIP, the department is developing a training plan to ensure successful implementation of the changes in OR-Kids and the certification rules.

Prior year eligibility corrections were completed for the child associated with the payment sample, however the department did not correct the eligibility for other children placed in the provider home during the ineligible period. The department has now corrected eligibility for those additional children.

Anticipated Completion Date: July 1, 2016

2015-010 Department of Human Services
Unsupported Costs Charged to Program

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1401OR1401; 2014, 1501ORFOST; 2015
Compliance Requirement:	Activities Allowed or Unallowed; Matching
Type of Finding:	Material Weakness, Noncompliance
Questioned Costs:	\$508

The Title IV-E Foster Care program provides matching funds at the federal financial participation rate for child placement and other administrative or training costs associated with the program.

We selected a random sample of 25 administrative or training transactions recorded in the department's accounting system that were directly charged to the foster care program and identified the following exceptions:

- Two transactions where the activities may be allowable, but the department could not support its methodology for how the costs were allocated to the foster care program prior to the federal financial participation rate being applied. One transaction was for investigative services for specific cases, and the other was for legal services and witness fees, and the support did not identify what program the cases were related to. The department allocated the invoice amounts of \$7,856 and \$104,394 as follows: 65% to Title IV-E Foster Care and 35% to state only programs. Upon inquiry, the department

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stated the allocations were a product of past management and no basis or explanation was available as to the allocation of the costs.

- Two transactions were coded incorrectly in the accounting system as foster care expenditures, resulting in \$508 in questioned costs.
- Two transactions were coded properly, but the federal financial participation rates in the accounting system had not been updated, resulting in the department under claiming federal funds.

This issue was also reported in prior year finding 2014-015.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department has identified all the contracts with unique funding methodologies for allocating administrative costs and determined the appropriate funding methodology. The Federal Policy, Planning and Resources manager will work with Office of Financial Services to change the finding on the contracts and make the appropriate adjustments.

Anticipated Completion Date: June 30, 2016

**2015-011 Department of Human Services
Review Doesn't Prevent Incorrect Costs Charged to Program**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	14010R1401; 2014, 15010RFOST; 2015
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	\$28

Federal regulations allow expenditures to be reimbursed to foster care providers at the federal financial participation rate for various program costs, including maintenance payments and transportation costs. The department utilizes the child welfare system, OR-Kids, to process payments to providers for services.

We selected a random sample of 60 transactions recorded in OR-Kids to determine the allowability of costs charged to the foster care program and identified the following exceptions:

- Two transactions where the mileage rates paid did not agree with the mileage reimbursement rates in effect at the time of service. In one case, the provider was underpaid, and in the other case, the provider was overpaid.

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- One transaction where a manual placement correction was entered in OR-Kids, triggering the reprocessing of payments, including a requested overpayment that was never approved or processed to recover the funds.

The department did not identify these errors during their review of these transactions. The known questioned costs for these errors is \$28, with likely questioned costs exceeding \$10,000.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The OR-Kids team will review the transactions in the finding and identify if there is a systemic issue or if the issue was an anomaly. Once the issue is identified, the department will either initiate a change request to resolve the identified issues in the system, or if unrelated to the system, refer the issue to others within the department based on the suspected cause. The agency will review and correct any unallowable costs as necessary.

Anticipated Completion Date: December 31, 2016

2015-012 Department of Human Services
Document Methodology to Review Payment Rates

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1401OR1401; 2014, 1501ORFOST; 2015
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency

The department establishes payment rates for maintenance payments (e.g., payments to foster parents, child care institutions or directly to youth). In accordance with federal requirements, the department's approved state plan must provide for periodic review of payment rates for foster care maintenance payments at reasonable, specific, time-limited periods established by the department to assure the rates continue to be appropriate for the administration of the foster care program.

In 2009, the department utilized data from multiple sources to review its foster care maintenance rates and increased rates by more than 60% from the rates previously established in 2007. The department did not document its methodology for establishing the 2009 rates. According to the department, it has reviewed the rates each biennium for budget purposes but has not re-performed the methodology used in 2009. In 2012, the department reduced the rates by 10% to budget reductions. As of the end of fiscal year 2015, no changes have been made to the rates since 2012. The department's state plan also does not provide for specific, time-limited periods for reviewing maintenance payment rates.

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We recommend department management document the methodology used to review maintenance payment rates for continuing appropriateness, including a specific, time-limited schedule for review.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department will institute this requirement into the Oregon Administrative Rules set 413-090-0005 through 0050. Foster Care Payments for a Child or Young Adult Living with a Certified Family or Living Independently. The intention is to review these rates every two years (odd years) through the department budget preparation processes for Governor's Recommended Budgets, which are due in the fall of the odd number years.

Anticipated Completion Date: October 1, 2016

**2015-013 Department of Human Services
Provider Eligibility Documentation Incomplete**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1401OR1407; 2014, 1501ORADPT; 2015
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	\$7,900

Federal regulations require that the department meet certain requirements to receive adoption assistance funding for certain child welfare expenditures. The department is required to determine child eligibility and maintain documentation of that determination, as well as ensuring providers have satisfactorily met a criminal background check and child abuse and neglect registry check. In Oregon, a verified criminal history requires a documented exception in certain instances to ensure the provider satisfactorily passed a criminal records check.

We reviewed a random sample of 60 cases to determine whether eligibility was supported and identified one case where the provider had a documented criminal history and child abuse and neglect registry history. The department documented an exception for the provider's child welfare history, but did not document the exception for the criminal history to support that the provider satisfactorily passed a criminal records check, resulting in known questioned costs of \$7,900, and likely questioned costs that exceed \$10,000.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department is required to complete our Program Improvement Plan (PIP) by June 22, 2016. The PIP is the result of a Federal Title IV-E Foster Care review in July 2014, in which Oregon was

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found not to be in substantial compliance with Title IV-E Foster Care regulations. The majority of the PIP is regarding how to improve the documentation of background check information and implementing a quality assurance process for monitoring certification.

The department has completed a significant design change to the OR-Kids provider module that will require all background checks have an approval date prior to the foster care home becoming fully certified, Another part of the design is an enhancement to the Foster Care Certification check list in which the OR-Kids functionality on this page will support rule and policy, which will help drive appropriate certification practice. As part of the PIP, the department is developing a training plan to ensure successful implementation of the changes in OR-Kids and the certification rules.

Anticipated Completion Date: July 1, 2016

2015-014 Department of Human Services
Data Necessary to Estimate Savings in State Expenditures is Incomplete

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Adoption Assistance – Title IV-E (93.659)
Federal Award Numbers and Year:	1401OR1407; 2014, 1501ORADPT; 2015
Compliance Requirement:	Level of Effort
Type of Finding:	Significant Deficiency

Beginning in fiscal year 2010, states are required to have two sets of program eligibility criteria for Title IV-E Adoption Assistance. One set of criteria applies to a child who is considered an “applicable child” due to the child’s age, length of time in care, or as a sibling of an applicable child. The second set of criteria is for a child who is considered “not an applicable child” and must meet the eligibility requirements in place before 2010. In addition, States are required to estimate any savings in state expenditures as a result of applying the additional applicable child eligibility rules and spend an amount equal to the savings to provide other program related services.

During fiscal year 2015, the department revised its methodology for estimating savings in state expenditures based on guidance for adoption savings calculations provided by the federal agency. The department relies on reports from the child welfare system, OR-Kids, to identify actual cost savings related to children determined eligible as an applicable child. The error cases noted below were not included in the reports used by the department to estimate the savings because their eligibility was not properly marked in the system, resulting in underestimating the savings.

We tested 60 eligibility cases to determine if the department properly documented the child’s type of eligibility in OR-Kids and found 4 cases where the department determined the child eligible as an applicable child and noted the eligibility in a comment box rather than marking the applicable eligibility section in OR-Kids. Additionally, two cases identified in the prior year with the same error have also not been corrected.

In order to estimate the savings in state expenditures, it is necessary for the department to have complete and accurate data related to applicable child eligibility. If the data is not complete or

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accurate, the department may not accurately estimate the savings to be spent on program related costs in future years.

This issue was also reported in prior year finding 2014-017.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department had completed a significant manual cleanup of the Adoption Assistance eligibility determinations to accurately capture the children who are eligible for Adoption Assistance due to the "applicable child" criteria only. Prior to the audit sample being pulled, the Federal Policy, Planning and Resources (FPPR) unit was working the eligibility specialists to continue the cleanup of the data, including the "applicable child" cleanup. The FPPR unit is working with OR-Kids business analyst and the Office of Business Intelligence to identify any remaining children whose Adoption Assistance IV E eligibility does not accurately reflect why the child is eligible for Title IV-E adoption assistance.

Anticipated Completion Date: July 31, 2016

**2015-015 Department of Human Services
Strengthen Controls to Ensure Provider Eligibility Documentation is Maintained**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1405OR5MAP; 2014, 1405OR5ADM; 2014, 1505OR5MAP; 2015, 1505OR5ADM; 2015
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Material Weakness, Material Noncompliance
Questioned Costs:	\$58,722

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

We tested 49 of the department's providers receiving Medicaid funds during fiscal year 2015 and found the department could improve its documentation supporting provider eligibility. Specifically, we found:

- The department was unable to provide an agreement and I-9 form for one provider. We were unable to determine the provider's eligibility, resulting in \$536 of questioned cost for the fiscal year.

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- For three providers, the department was unable to locate I-9 forms. We were unable to determine the eligibility for these providers, resulting in \$58,186 of questioned costs for the fiscal year.
- The department was unable to provide documentation of a completed background check prior to enrollment for one provider. We were able to verify the provider's eligibility.
- For two providers, evidence of two of the required federal database checks was missing, but we were able to verify the providers were eligible to provide services.

This finding is related to prior year audit findings 2013-035 and 2014-019.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department's Aging and People with Disabilities (APD) and Office of Developmental Disability Services (ODDS) will be working within our programs to ensure the provider eligibility documentation held by our field offices is retained. The record retention requirements will be communicated to the management of the field offices responsible for retaining provider eligibility documentation not otherwise submitted to the Provider Relations Unit.

The department will verify the eligibility by obtaining a new provider enrollment agreement and I-9 form for the one provider missing both documents or close the provider number. For the three providers only missing their I-9s, the department will verify their eligibility by obtaining the I-9 forms. For the one provider missing their background check and the two providers missing evidence of two of the required federal database checks, corrective actions from prior audit responses have been implemented that require verification of criminal history checks and maintenance of the required database checks completed at the time of enrollment, reenrollment and revalidation. All three of these providers were confirmed eligible to provide services.

Anticipated Completion Date: June 30, 2016

2015-016 Department of Human Services/Oregon Health Authority
Improve Client Eligibility Documentation

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1405OR5MAP; 2014, 1405OR5ADM; 2014, 1505OR5MAP; 2015, 1505OR5ADM; 2015
Compliance Requirement:	Activities Allowed or Unallowed; Eligibility
Type of Finding:	Material Weakness; Noncompliance
Questioned Costs:	\$6,051

Federal regulations require certain conditions be met for the department and authority to receive Medicaid funding for medical claims, including a signed application and a

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redetermination of eligibility for the program every 12 months. In addition, for certain clients in long-term care the department calculates a client liability for the client's share of their monthly cost of care.

We tested 83 fiscal year 2015 Medicaid claims and found the following:

- For nine clients, the department could not provide applications. Through review of available documentation, we were able to determine that the clients were eligible for Medicaid.
- For seven clients, the department was unable to provide evidence that redeterminations had been performed timely. However, we were able to verify the clients were eligible for Medicaid.
- An eligibility coding error for one client in MMIS incorrectly caused the system to not require the client's eligibility to be redetermined. The client was initially eligible due to pregnancy as the household income was over the income level. The client's eligibility should have been redetermined for October 2013. The authority ended eligibility for the client effective August 31, 2015. Total overpayments made on behalf of the client for fiscal year 2015 were \$5,736.
- For one client, the client liability was calculated by the department using an incorrect income amount, which resulted in the client's liability being understated by \$105. This occurred for three months, resulting in a total of \$315 in overpayment.

This finding is related to prior year audit findings 2013-038 and 2014-018.

We recommend department and authority management strengthen controls to ensure sufficient documentation is maintained to demonstrate compliance with federal requirements and the client liability is calculated accurately.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department's Aging and People with Disabilities office will remind their managers and staff of the policies, appropriate documentation and retention of applications needed to determine eligibility for our program. These reminders will be agenda items for the APD Program Managers meeting, the APD Supervisors meeting and will be included in an "In the Loop" newsletter article.

The department researched and has taken action on the nine cases with missing applications. For these cases, either an application has been obtained by the office, a current application was found on file, or the client is now deceased. We will also explore best practices to help better document evidence of redeterminations being completed in a timely manner.

In relation to the eligibility coding error identified in the finding, the authority was actively working to renew the individual's benefits. The renewal was completed and benefits closed August 31, 2015. The authority will return the identified questioned costs to the federal government.

The department has returned the federal funds for the one client identified in the finding where the client liability was calculated using an incorrect income amount.

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Anticipated Completion Date: August 31, 2016

2015-017 Department of Human Services/Oregon Health Authority
Strengthen Controls Over Non-Automated Transactions

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year: 1405OR5MAP; 2014, 1405OR5ADM; 2014,
1505OR5MAP; 2015, 1505OR5ADM; 2015
Compliance Requirement: Allowable Costs/Cost Principles; Matching
Type of Finding: Significant Deficiency, Noncompliance
Questioned Costs: \$1,321,804

Federal regulations require that the department and the authority charge only allowable program expenditures to the program and at the appropriate federal financial participation (FFP) rates. Internal controls should ensure that only allowable expenditures are paid and done so at the appropriate FFP rates. Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance of the achievement of program requirements. A system of internal controls includes retaining documentation that supports the transactions such as contracts, invoices, or communications.

We judgmentally selected 32 expenditure transactions processed by the state's accounting system, instead of another sub-system such as the Medicaid Management Information System, to ensure the expenditures were for allowable costs and that the appropriate amount was charged to the Medicaid program. For all 32 transactions reviewed, we found that each was reviewed and approved prior to payment; however, we found the following errors.

- For one transfer transaction, the authority shifted expenditures from the FFP rate to an enhanced rate of 90% to capture increased federal funding level for family planning expenditures. However, the transfer also included a subset of family planning services for an expansion population previously claimed at 100% FFP. This error resulted in \$790,479 being inappropriately paid for with federal funds.
- One transaction was an invoice for a quarterly payment related to an intergovernmental agreement (agreement). However, there was no valid agreement in place as of February 2016. The prior agreement, which expired March 2014, included a clause that total payments should not exceed \$150,000. During fiscal year 2015, the authority charged Medicaid \$900,000 for services related to this agreement, of which \$566,685 was paid with federal funds.
- For another transaction, incorrect account coding for splitting expenditures between federal and state funding sources resulted in the authority not claiming \$35,360 in federal Medicaid funds.

We recommend management strengthen controls to ensure only allowable costs are paid for at appropriate federal funding participation rates.

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MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The Office of Financial Services has a process to cross check the documentation provided by program staff to ensure the appropriate transfer has been completed. The agency is also working on a process to automate this transfer within the MMIS system.

A coding matrix is being developed to allow users to select the correct coding for the allowable expenditures.

For noted transaction errors corrective action was developed and is in operation at this time. A new agreement is being negotiated. The payments are in the process of being recovered and the federal share associated with the payment being returned to the federal government.

Anticipated Completion Date: September 1, 2016

**2015-018 Department of Human Services/Oregon Health Authority
Continue to Strengthen ADP Risk Analyses and System Security Review Procedures**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1405OR5MAP; 2014, 1405OR5ADM; 2014, 1505OR5MAP; 2015, 1505OR5ADM; 2015
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency; Noncompliance

Federal regulations (45 CFR § 95.621) prescribe that states are responsible for the security of all operational Automatic Data Processing (ADP) systems involved in the administration of health and human service programs, including Medicaid. ADP requirements include establishing a security plan, biennially reviewing ADP system security installations involved in program administration, and establishing and maintaining a program for conducting periodic risk analyses, which includes performing risk analyses whenever significant system changes occur.

Prior year findings, dating back to fiscal year 2007, indicate that management has not devoted sufficient resources to fully comply with the federal requirement to perform ADP risk analyses and system security reviews. Inquiries with the management during fiscal year 2015 revealed the following:

- The agencies do not have a documented security plan addressing federally required components; however, in March 2015, an updated security policy was finalized, which was the basis of the development of a security plan. In addition, the authority, conducts vulnerability scans of the Medicaid Management Information System (MMIS) software at least every three years with the most recent scan performed in August 2012.
- The authority has not conducted reviews of the ADP system security installation on a biennial basis. In March 2015, the authority completed a review of the MMIS system; however, the authority and the department have not conducted system security

installation reviews of the other systems involved in the administration of the Medicaid program.

- Management does not have a formalized risk analysis program in place to address all systems involved with the administration of the Medicaid program. The authority obtained a SSAE 16 Type II review of the MMIS from a third party in September 2015, which focused on user access and system security. However, there have not been any reviews of the other systems employed to administer the Medicaid program.

Without conducting ADP risk analyses and security reviews in accordance with federal regulations, management is less able to determine whether systems administering the Medicaid program are adequately safeguarding program assets and maintaining program integrity.

This finding is related to prior year audit findings 2013-042 and 2014-021.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

In 2014, the agencies transitioned from the ISO27000 information security framework to NIST SP-800-53, Security and Privacy Controls for Federal Information Systems and Organizations, to reflect the compliance environment of their federal information sharing partners.

A revised information security policy set was published in March of 2015. The information security policy set forms the basis for the over-arching security plan currently in development under the direction of the Chief Information Security Officer (CISO). Additionally, in 2015-2016 the agencies hired a new CISO after a six-month void. A comprehensive system and data inventory is underway and will form one of the pillars of the updated information security plan to be completed December 2016.

The updated information policy set includes a risk assessment policy (DHS/OHA 090-006). A program for conducting information security risk assessments has been under development in the Information Security and Privacy Office since January 2014. The process by which information security risk assessments are conducted was formalized in a written procedural document in October of 2015 (DHS/OHA 090-006-01). Two information security risk assessments were conducted and completed in 2014. A third information security risk assessment commenced in November of 2014 on the Medicaid Management Information System (MMIS) and the Division of Medical Assistance programs (DMAP). Phase I of the risk assessment was completed in March 2015.

In January 2015, the Oregon Health Authority began an agency-wide restructure. As part of that restructure, and in response to a request from the 2013 Oregon Legislature, DMAP was combined with the Addictions and Mental Health division to form the Health Systems Division. As a result of this major restructure and transitional projects, the planning for Phase II of the risk assessment was postponed pending full implementation of the governance and programmatic structure. Phase

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It activities resumed in December 2015 after consultation with the Chief Health Systems Officer and the program leadership who administer the Medicaid program.

Anticipated Completion Date: December 2016

**2015-019 Department of Human Services
Improve Timeliness of Nursing Facility Reviews**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year: 1405OR5MAP; 2014, 1405OR5ADM; 2014, 1505OR5MAP; 2015, 1505OR5ADM; 2015
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency, Noncompliance

Federal regulations require the department to conduct surveys of nursing facilities receiving federal monies to determine compliance with applicable federal requirements. The survey should include prescribed health and safety standards and occur at a survey interval of no greater than fifteen months.

We reviewed 15 of the 142 nursing facilities receiving federal monies to verify the department performed the surveys and at an interval not exceeding fifteen months. All 15 nursing facilities met the prescribed health and safety standards. We found the department had made significant improvement in conducting surveys within the 15 month requirement; however, six of the facilities surveys were completed one to three months beyond the 15 months.

According to the department, the reviews were not completed timely due to limited staffing resources. Without completing surveys in the time frame stipulated by federal regulations, there is an increased risk that Medicaid clients could receive substandard care.

This finding is related to prior year audit findings 2013-040 and 2014-020.

We recommend management develop a plan based on current resources to ensure the timely completion of provider health and safety standard surveys for nursing facilities.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

Oregon has a long history of meeting the Centers for Medicare and Medicaid Services (CMS) performance standards related to surveying facilities in fewer than 15.9 months. The Nursing Facility Licensing Unit is dedicated to bringing our CMS performance standard back into compliance and we anticipate reaching compliance in early 2016.

Over the past four years various staffing resource issues, such as the position freeze and mandatory furloughs, have significantly affected our ability to complete our work timely. In fact, our vacancy rate for surveyors reached 34% by the end of the freeze.

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Implementation of the CMS Quality Indicator Survey (QIS) process also contributed to our failure to meet the CMS performance standards. In addition to the general difficulties inherent in a new process and system, it increased our required survey team size (particularly for small facilities) for a period of time, increased training requirements, and lengthened total survey time during the implementation period.

Over the past four years we have implemented several continuous improvement activities that have resulted in efficiency gains to the survey process, in turn reducing the amount of time it takes to survey facilities. Those efficiencies have resulted in a 33% reduction in new surveyor training time. We have made efforts to minimize survey-related travel and made a 10% reduction in report writing time. We have implemented an electronic document workflow process, streamlined our report review process to facilitate a faster turnaround time between surveys, and provided provider training on how they can prepare for and assist with the survey process. Since January 2013 we have hired 19 new surveyors. However, we have had 16 surveyors leave in the same time period due to retirements, promotional opportunities, competition with private industry related to salary, and surveyors not demonstrating skills needed to make it through trial service.

As of June 30, 2015, all surveys conducted were less than 15.9 months and will continue to be less than 15.9 months going forward.

We are taking the following steps to maintain compliance with this CMS requirement.

- We have approval to hire three additional surveyors based on a historical vacancy factor. Hiring these three surveyors will allow us to hire and train well in advance of any anticipated or unanticipated departures. Based on current vacancies, projected new hires, and training restraints, we expect to have these three positions filled in July 2016, staff trained within six months of hire and enrolled in CMS basic LTC surveyor training as soon as possible thereafter*
- We will continue to assess the survey and training teams to optimize production, optimize survey and surveyor turnaround time.*
- We will continue to use retired/resigned surveyors on a temporary basis to perform surveys as they are available.*
- We will continue to survey the oldest facilities first (facilities that haven't been surveyed in the greatest amount of time).*

Anticipated Completion Date: July 1, 2015

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**2015-020 Oregon Health Authority
Ensure Required Provider Screening is Documented Prior to Enrollment**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year: 1405OR5MAP; 2014, 1405OR5ADM; 2014,
1505OR5MAP; 2015, 1505OR5ADM; 2015
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency

Federal regulations (42 CFR § 455.436) require that the authority screen all Medicaid enrolled providers by ensuring providers are not listed in any of the following four federal databases: the Social Security Administration's Death Master File (DMF), the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE) and the System for Award Management (SAM).

In response to prior year single audit findings, the authority implemented new functionality in the Medicaid Management Information System (MMIS) in August 2014 to allow staff to document the verification of the four databases for new and revalidated providers. However, for one provider revalidated in June 2015, we found that only two of the four databases were marked as verified. Without evidence these databases were checked, the authority could be providing payment to providers that are not eligible to participate in the Medicaid program. We were able to confirm the provider was eligible.

This finding is related to prior year audit findings 2013-041 and 2014-023.

We recommend management ensure staff are documenting that all databases were verified for new and revalidated providers.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The authority agrees it is important to properly document verification checks. Upon further review, the provider identified in the finding was in the process of being renewed. While revalidations and reactivations of providers require the four database checks, renewed providers only require the completion of the two database checks noted. Currently our system does not display the renewal or reactivation designation in the panel. We regret we did not adequately communicate this differentiation in requirements.

To address future documentation requirements, a change request has been submitted to create two additional labels for the Provider Validation panel. The result of this change will be better documentation for which databases were checked and why, based on whether the provider was revalidated, reactivated or renewed.

Anticipated Completion Date: March 31, 2017

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2015-021 Department of Human Services
Improve Controls over Income Calculations for Eligibility

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year: 2014G99WRFD; 2014, 2014G999004; 2014, 2014G999005; 2014, 2014G996005; 2014, 2015G999004; 2015, 2015G999005; 2015, 2015G996005; 2015, 2015G99WREL; 2015
Compliance Requirement: Eligibility
Type of Finding: Material Weakness, Material Noncompliance
Questioned Costs: \$1,571 (known); \$1,033,640 (likely)

The Child Care Development Fund program offers federal funding to states to increase the availability, affordability, and quality of child care services. As required by federal regulation, 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). Proof of income is required when applying for the program.

We tested a random sample of 60 families for eligibility and verified the monthly copay calculated for each family was accurate based on family size and income. We also verified that the monthly payment was accurate using the authorized hours and allowed amount for each provider. We identified the following errors in 13 of the 60 cases.

- For six cases the client’s monthly copay was incorrectly calculated as too low with monthly errors totaling \$291. These errors were due to a caseworker
 - using the hourly rate and not documenting a reason for not considering overtime or an extra hourly rate;
 - reducing the copay to zero when it was calculated at a higher amount and not documenting a reason for the change;
 - entering the wrong income amount into the system that calculates the copay; and
 - using net income instead of gross income.
- For three cases, the department was unable to locate documentation to support the client’s income. Based on the income narrated, the client was eligible and the copay was correctly calculated. However, there is a risk that the income narrated is incorrect as we could not verify it.
- For one case, the billing form included a total for four children. The department inadvertently input the total as the monthly charge for one of the children, causing the provider to be overpaid by \$125.
- For three cases, the department was unable to provide support for using the special needs rate. Children may qualify for this higher rate if they require a higher level of care; documentation should be retained to support the higher rate. Using the special needs rate resulted in the provider being overpaid by \$161.

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- For three cases the department was unable to locate the client's application.
- For one case, the authorized hours for childcare were not supported but were based on the client asking for an increase in hours. This allowed the provider to bill at the monthly rate and not the part time rate. When eligibility was redetermined three months later, the hours authorized were for part time. This resulted in known questioned costs of \$906.
- For three cases, multiple providers were used to provide childcare to a family and in all cases the billing form for the primary provider included 100% of the copay. For these cases, we found that the primary provider either stopped billing or did not bill enough to cover the copay but the secondary provider billed enough hours. In two of the cases, it took the department several months to fix the copay and in one instance it was not fixed until the next application. The department's policy is to not collect the unmet copay, but to split the copay in future months between the providers. The department has a report to identify when a copay is not met. However, if the primary provider does not submit a bill, the copay will not be on the report. For these cases, the monthly errors totaled \$88.

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

This was also reported in prior year finding 2014-032.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

Communications will be sent to department field staff and trainers for the Employment Related Day Care (ERDC) program identifying methods to prevent copay calculation errors. Child care policy staff will work with the Direct Pay Unit staff to develop a process to address situations when a copay is not being met and there are multiple providers involved.

During this audit period, the Self-Sufficiency Program (SSP) field offices were still in the process of moving toward electronic case files as part of our Electronic Document Management System (EDMS) expansion project. In November 2014 a transmittal was issued identifying the standardized data capture elements for offices that have moved to electronic case files. This should assist the department in locating documentation in EDMS in the future. A gradual statewide rollout of the new procedures related to electronic document management of customer documents and standardized data capture began in October 2015. By January 2016, all SSP offices completed training and started using the new procedures.

Anticipated Completion Date: June 15, 2016

2015-022 Department of Education
Improve Subrecipient Procedures

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers and Year: 2014G99WRFD; 2014, 2014G999004; 2014, 2014G999005; 2014, 2014G996005; 2014, 2015G999004; 2015, 2015G999005; 2015, 2015G996005; 2015, 2015G99WREL; 2015
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness, Material Noncompliance

The department is responsible for ensuring subrecipients expend awards in accordance with applicable federal statutes, regulations, and the terms and conditions of federal awards. The program requires the department to ensure subrecipients determine individual eligibility according to the rules established by the program. In addition, the new uniform guidance provides that the department must evaluate each subrecipient's risk of noncompliance to determine the appropriate monitoring procedures.

The department has written agreements with a subrecipient outlining the roles and responsibilities for meeting the program requirements, including eligibility. During the fiscal year, the department's monitoring consisted of a review of subrecipient invoices for payments and all applications for eligibility. The department does not receive any of the support verified by the subrecipient. Also, the department does not retain the applications so we were unable to review them for eligibility requirements.

The award letter received by the department in April 2015 stated the new uniform guidance was applicable to those funds. The department was not aware that the new requirements became effective during fiscal year 2015 and, thus, it did not evaluate each subrecipient's risk of noncompliance.

There is a risk subrecipients may not be following the program's procedures in determining eligibility if no on-site verification of subrecipient process/documentation is performed.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding and the recommendation that department management develop and document a process to improve subrecipient procedures. Our planned corrective action is as follows:

- 1. The department will use the requirements of the new Uniform Guidance to evaluate each subrecipient's risk of noncompliance.*
- 2. Risk assessment training for all contract administrators is scheduled for Spring of 2016.*

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3. *Perform an on-site review annually of the subrecipient's program procedures in determining eligibility including verification of income.*

Anticipated Completion Date: June 30, 2016

**2015-023 Oregon Health Authority
Ensure Compliance Site Visits are Performed Timely**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Immunization Cooperative Agreements (93.268)
Federal Award Numbers and Year: Unknown
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency, Material Noncompliance

Criteria: The Organization's grants with its federal funder require the Organization to perform a compliance site visit of its enrolled and active providers at least once every other calendar year.

Condition: The Organization was not able to perform compliance site visits timely for 90 of 592 enrolled providers.

Cause: According to Organization's management, there are limited resources available to be able to conduct site visits for all enrolled providers every 2 calendar years.

Effect: Without performing compliance site visits in a timely manner, providers could be operating out of compliance with the Immunization Program requirements.

Recommendation: Organization management should ensure compliance site visits are performed timely for all enrolled and active providers.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The Centers for Disease Control and Prevention (CDC) has added new requirements to the Vaccines for Children (VFC) program over the past three years that create additional work related to provider site visits. These additional requirements, in addition to Oregon vaccine stewardship laws, have increased the length of time spent preparing for, completing, and following up on VFC site visits. Health Educators are now spending approximately 2.5 hours on site per visit, per clinic site, rather than 1.5 hours seen previously, and follow-up time has increased proportionately. At times, the new follow-up requirements require staff to complete additional overnight trips to ensure that clinics retain appropriate eligibility screening documentation. In addition, significant resources dedicated to completing site visits in the audit time period were unavailable due to vacancies in key positions and a hiring freeze which limited the program's ability to fill these vacancies.

To address this audit finding in 2015, the Oregon Immunization Program took a variety of steps aimed at impacting the program's ability to meet their federally determined site visit goal. These actions included:

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- *Reviewing, and when needed, reprioritizing work in order to allow for timely site visits, while still complying with other grant-required activities.*
- *The use of technology to make the site visits more efficient for staff namely tablets have been implemented to streamline site visits and cut down on double data entry.*
- *Removal of appropriate tasks from staff who complete site visits and assignment of these tasks to lower level staff*
- *Development and use of new templates to increase the efficiency of provider follow-up.*
- *The use of process improvement activities to create additional efficiencies.*

In addition to continuing the steps described above, the Oregon Immunization Program has set in motion the following steps in order to impact the program's ability to meet their federally determined site visit goal in 2016.

- *Two positions on the Provider Services Team (which conducts the site visits) have been re-classified from a Health Educator 2 to a Compliance Specialist 2. This change in position classification will have significant impact on our program's ability to complete our site visit requirements, by creating two positions whose sole pan pose is to complete site visits and site visit follow-up, will complete the bulk of our required site visits, and will be freed from the other duties previously assigned to Health Educators thus allowing more focused attention on meeting this audit requirement.*
- *We have developed a VFC provider waitlist which will provide additional control over the number of providers requiring site visits. This will help slow the continued growth in the program, especially considering our staffing and resource limitations which have not kept pace with our addition of provider sites.*

Continued data analysis is planned to evaluate the number of staff needed to complete the new and upcoming CDC requirements for site visits. This will help us plan for the number of sites we are able to maintain in the program, develop justification for potential addition of resources, and support planful growth targeting areas where access to vaccination is of concern, such as rural or frontier areas of our state.

Anticipated Completion Date: December 31, 2016

2015-024 Department of Human Services
Improve Compliance with Work Verification Plan

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Temporary Assistance for Needy Families (93.558)
Federal Award Number and Year: 2014G996115; 2014, 2014G991524; 2014, 2015G996115; 2015, 2015G9915TC; 2015
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency, Noncompliance

Federal regulations require each state to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of data used in calculating work

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participation rates. Each state must have procedures to count and verify reported hours of work and must comply with its Work Verification Plan as approved by the Department of Health and Human Services (DHHS). Oregon's Work Verification Plan states employment attendance will be documented and verified in one of four ways: pay stubs, time cards, sign-in sheets or other specific attendance records, or by documenting a phone conversation with the employer. If a client has stable employment, the department may use a six-month projection of actual hours. However, if the department receives information that actual hours have changed, the department is required to re-verify the current average and update the projection as needed.

We randomly selected 40 out of approximately 71,000 participating clients and reviewed case file documentation for verification of work activity participation for one month during the fiscal year. We found the following six exceptions:

- For two clients the department did not accurately enter work hours into the automated data processing system;
- For two clients the department projected inaccurate hours of participation; and
- For two clients the department did not maintain adequate documentation to support the hours of participation.

These inaccurate or unverified hours were used in calculating the work participation rate reported to HHS. If the state fails to follow the approved Work Verification Plan, HHS may penalize the state. This finding has been outstanding since 2012.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

In reviewing the six cited exceptions from this year's audit findings the department will need to focus on systems fixes, increased guidance on calculating verified work hours, and improving our processes for receiving and retaining documentation.

The TANF policy unit will gather an internal Federal Data group to research the errors and identify root cause(s), with the intent to establish corrective actions to focus on either preventing or detecting and correcting processing errors. This team will have a plan drafted by September 30, 2016, with a timeline.

Our cross-functional TANF program integrity group will continue to identify ways to train, coach, and review field staff work related to the calculation of work hours. Special attention will be focused on conversion of hours based on pay schedules, which resulted in two of the six errors cited. The TANF Policy unit will provide additional guidance and distribute to field staff by September 30, 2016.

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The errors associated with inadequate documentation were due to a lost pay stub from a file transfer between branches and the use of annualizing income based on income tax documentation. The department's usage of the Electronic Document Management System along with the standardized filing method, implemented in phases beginning October 2015, has reduced the potential for lost documentation. The department will submit proposed changes to the Oregon Work Verification Plan with an effective date of July 1, 2016, to include annualized verification to be used as documentation for ongoing verification of work participation, as long as it is documented that the income and situation remains the same at the six-month eligibility checkpoint.

Anticipated Completion Date: February 15, 2017

2015-025 Department of Human Services
Improve Accuracy of Performance Data Reports

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year: 2014G996115; 2014, 2014G991524; 2014, 2015G996115; 2015, 2015G9915TC; 2015
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance

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

We reviewed data submitted on the ACF-199 reports for line items specified by DHHS as “key”. We identified inaccuracies in the federal countable months key line item in 16 of 40 randomly selected cases.

During our Special Tests and Provisions testing we found the following additional ACF-199 TANF Data Report errors:

- 36 out of 50 randomly selected cases where a sanction was reported, yet no benefit reduction occurred during the report month; and,
- 2 cases where work participation hours were inaccurately reported.

We also reviewed data submitted on the ACF-209 quarterly reports and identified the “type of family for work participation” key line item was inaccurate for 3 of 18 randomly selected cases. We also identified 3 instances where the same client was reported on two separate cases, and one case where work participation hours were inaccurately reported.

According to the department, these errors are due to errors in programming.

This finding has been on-going since fiscal year 2010.

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We recommend department management ensure the report accurately reflects the activity of the reporting period.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department agrees that the data populating the ACF-199 and ACF-209 reports need to be as accurate and complete as possible. Currently, the Federal Data Group meets as needed to review summary reports and any quality issues that have been identified. This group already has programming underway to address all sanction types and to ensure this alignment with sanction and effective date is rectified.

The data used for the transmission of ACF-199 and ACF-209 uses the months on TANF as indicated on an end of month file. Using this data causes the reports to be inaccurate by underreporting time on TANF by one month. The Federal Data group is working on how to capture and align the full months on TANF prior to transmitting the data for the reports.

An identified error in the ACF-209 related to the "type of family for work participation" has been researched by programmers and the available data within CMS and TDRS have been used to their finest. The need to inform and train staff in regard to coding parent fields is necessary to identify two-parent cases. Trainings and policy have been updated to include the importance of parental coding.

The Federal Data group is still researching ways to ensure duplicate individuals are not included in the reports. This group will develop a corrective action plan with the goal of transmitting the FFY 2016 data without this duplication.

Anticipated Completion Date: February 15, 2017

**2015-026 Department of Human Services
Questionable Interpretation of Federal Five-Year Time Limit**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Temporary Assistance for Needy Families (93.558)
Federal Award Numbers and Year: 2014G996115; 2014, 2014G991524; 2014, 2015G996115; 2015, 2015G9915TC; 2015
Compliance Requirement: Eligibility
Type of Finding: Noncompliance

The department may not be in compliance with federal regulations over TANF as it is using a different definition for eligibility than specified in the TANF regulations. The TANF federal regulations specify no state may use any of its federal TANF funds to provide assistance to a family that includes an adult head-of-household or a spouse of the head-of-household who has received federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive). The federal regulations over the TANF program also specify that states may not count toward the five-year limit, any month of assistance received by an adult while living in "Indian country," as defined in section 1151 of title 18, United States Code where at least 50% of adults were not employed.

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Rather than use the US Code to define “Indian country,” the department uses the Bureau of Indian Affairs (BIA) definition of “service areas” as defined by 25 CFR, which is broader than “Indian country” and encompasses 24 of 36 Oregon counties. During FY2015 DHHS directed the department to utilize the definition consistent with the US Code and to supply DHHS with a methodology for accomplishing the directive. The department requested clarity from DHHS regarding whether they should adopt a definition of “Indian country” without reference to the tribal restoration acts, and are still waiting for a response.

Consequently, there may be TANF clients improperly receiving federal assistance that have exceeded the five-year time limit. Over the past several years, between 5 and 8 of the counties in BIA’s designated “service areas” had more than 50% of adults not employed. Based on this determination, the department exempted an average of approximately 2,100 total cases each month, out of approximately 23,600 statewide cases, from the federal time limit monthly count.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The department agrees that working with DHHS to resolve the different interpretations of the federal requirements for the TANF program regarding the interpretation of Indian Country is of most importance.

The department is engaged in formal tribal consultations with the individual tribes in order to adhere to tribal consultation policies. The department has submitted a request for clarification to ACF in regards to the Indian Country definition as it relates to the Restoration Acts of Oregon tribes. The department is awaiting the ACF clarification. When the department receives that clarification, it will implement the changes needed to ensure compliance.

Anticipated Completion Date: February 28, 2017

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**2015-027 Department of Human Services/Oregon Health Authority
Unallowable Costs**

Federal Awarding Agency: U.S Department of Agriculture
U.S. Department of Health and Human Services

Program Title and CFDA Number: Supplemental Nutrition Assistance Program (SNAP)
Cluster (10.551, 10.561)
Child Care and Development Fund Cluster (93.575,
93.596)
Temporary Assistance for Needy Families (93.558)
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Medicaid Cluster (93.777, 93.778)

Federal Award Numbers and Year: Various

Compliance Requirement: Allowable Costs/Cost Principles

Type of Finding: Significant Deficiency, Noncompliance

Questioned Costs: \$15,000 (known); \$130,000 (likely)

In the course of providing services to clients and administering agency operations, the department and the authority receive and process numerous invoices for payment. The invoices are reviewed and approved to ensure the expenditures are valid, the coding directs the expenditure to the appropriate cost center, and the cost is allowable. The cost centers may be directed specifically to a federal or state program, or to a cost pool that allocates the expenditures through the cost allocation process. The cost allocation process provides a mechanism to allocate indirect costs to multiple programs receiving benefit from the expenditures or shared service, and is administered in accordance with federally approved plans for the department and the authority.

During our testing of the expenditures entering the cost allocation process, we reviewed a sample of 51 non-payroll related transactions to ensure that expenditures were (1) allowable per the federal guidelines in OMB Circular A-87 and (2) appropriately charged to the indirect cost pool. We identified the following exceptions:

- One sample related to a court settlement for \$15,000 was coded to a cost pool, but was not allowable per OMB Circular A-87. We performed additional procedures and did not identify any other legal settlements in the cost pools so we did not project the error to the population.
- One sample related to the purchase of gas cards for clients totaling about \$2,404. It was incorrectly charged to the indirect cost pool in addition to being recorded in the department's child welfare system and charged to applicable federal programs.
- Two samples where documentation either was not available or did not support the amount reimbursed resulting in questioned costs of \$96.

The projected total is over \$115,000 of unallowable costs entering the cost pools that were ultimately allocated to various federal programs.

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

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

Agency management understands the importance of ensuring staff are trained on proper account coding, documentation, and allowable cost principles. Management will work with the Office of Financial Services to develop tools to assist staff in choosing the proper codes and develop additional quality assurance processes to review for unallowable costs. The identified transactions have been corrected.

Anticipated Completion Date: December 31, 2016

2015-028 Department of Human Services/Oregon Health Authority
Cost Allocation Plans Not Updated Timely

Federal Awarding Agency:	U.S Department of Agriculture U.S. Department of Health and Human Services
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561) Child Care and Development Fund Cluster (93.575, 93.596) Temporary Assistance for Needy Families (93.558) Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659) Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency

The department administers separate federally approved cost allocation plans for both the department and the authority. The plans outline the allocation methods used to apportion various cost pools to federal programs.

Federal rules allow state agencies to make changes to federally approved cost allocation plans, but require state agencies to promptly notify the federal oversight agency when changes are made that will affect the allocation of costs. At a minimum, agencies are required to submit an annual statement certifying that their plan is not outdated.

In allocating costs from the pools, various statistics are used. Some are based on random moment sampling (surveys to department staff to identify what programs they were working on at specified dates and times), as well as other data such as number of program participants eligible for federal assistance, and financial data. During our review, we found that the

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calculations for some of the random moment statistics did not agree to the details in the most recently submitted plans.

Additionally, we identified instances in which the methodology used to allocate costs for several pools in April 2015 was not the methodology listed in the applicable federally approved cost allocation plans.

According to the department, when changes are made to the plans the department only communicates those changes to the federal government when subsequent plans are submitted. Due to staff turnover in previous years within the cost allocation unit and recent structural changes for the authority, detailed plans have not been submitted since June 2013; the department is currently in the process of updating cost allocation plans for the department and the authority.

Failure to follow the requirements of federally approved cost allocation plans may result in allocated costs being disallowed by the federal oversight agency.

This finding is related to prior year audit findings 2014-031.

We recommend management update the cost allocation plans for the department and authority to reflect current practices and ensure future changes are communicated timely.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The agency will continue to submit annual cost allocation plan updates to the federal DHHS Division of Cost Allocation (DCA) as well as providing prompt interim updates when there are major changes to allocation methodologies. The agency continues to work with DCA on the Oregon Health Authority major plan updates and expect submission of the new plan by May 1, 2016.

Anticipated Completion Date: May 1, 2016

**2015-029 Oregon Housing and Community Services Department
Improve Reviews of Subrecipients**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Low-Income Home Energy Assistance (93.568)
Federal Award Numbers and Year:	2015G992201; 2015, 2015G992205; 2015, 2015G992212; 2015, 2014G992201; 2014, 2014G995623; 2014
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Material Weakness, Noncompliance

Federal regulations require the department, as a recipient of federal awards, to monitor the activities of subrecipients to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements. For the LIHEAP program, this includes monitoring subrecipients to ensure:

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- Program funds are used for certain allowable activities;
- Specified “earmarking” limits are not exceeded; and
- Subrecipient cost allocation plans are in compliance with applicable cost principles.

We found the department does not have adequate controls to ensure only costs for allowable activities are reimbursed with federal funds; limitations are not exceeded; and ensure subrecipients follow general cost principles, including gaining assurances that expenditures charged to federal programs are reasonable, equitably distributed, and adequately documented.

This has been an ongoing finding since fiscal year 2012 due to a lack of adequate resources dedicated by the department to develop and maintain adequate controls. The department has been in the process of updating its fiscal monitoring controls but has yet to fully implement changes to ensure compliance with program requirements.

We recommend department management complete and implement an adequate fiscal monitoring process to ensure federal reimbursements are for allowable program activities, subrecipient cost allocation plans are sufficiently reviewed to determine whether the plans are in compliance with applicable cost principles, and required limitations are not exceeded.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding.

As of July 1, 2015, the agency is monitoring subrecipients following the guidelines established by the Office of Management and Budget (OMB) under the Uniform Guidance (2 CFR Part 200). The agency has documented processes, procedures and checklists to ensure uniformity of monitoring and subrecipient compliance with guidance and cost principles under the Uniform Guidance. Additionally, OHCS has internal systems that establish controls to adequately earmark funds into specific categories, ensuring funds are used for intended purposes. The agency has implemented a new procedure which expands the scope of items being monitored and establishes a risk based approach to the sample selection. This approach ensures a statistically relevant sample is reviewed to provide adequate evidence that the expense was entered under the appropriate earmarked category and the expense is reasonable, equitably distributed, and adequately documented.

Anticipated Completion Date: July 1, 2015

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**2015-030 Oregon Housing and Community Services Department
Strengthen Controls Over Cash Management**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Low-Income Home Energy Assistance (93.568)
Federal Award Numbers and Year: 2015G992201; 2015, 2015G992205; 2015,
2015G992212; 2015, 2014G992201; 2014,
2014G995623; 2014
Compliance Requirement: Cash Management
Type of Finding: Material Weakness, Noncompliance

Federal regulations require program costs be paid with entity funds before reimbursement is requested from the federal government. The exception to the cost reimbursement basis is the advancement of federal monies to meet immediate cash needs. When awards provide for advance payments, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the recipient with similar procedures established for subrecipients. These regulations include expectations for the department to monitor cash drawdowns by subrecipients to ensure subrecipients conform substantially to the same standards of timing and amounts that apply to the department.

We found the department does not have adequate controls to ensure funds are provided as reimbursement of costs already paid by the subrecipient or that a minimal lapse of time occurred between the advancement to and disbursement of funds by subrecipients. This has been an ongoing finding since fiscal year 2010 due to a lack of adequate resources dedicated by the department to develop and maintain an adequate control process. The department has been in the process of updating its reviews of subrecipient requests for funds but has yet to fully implement changes to ensure compliance with cash management requirements.

We recommend department management complete and implement adequate controls to ensure subrecipient requests for funds are in compliance with federal cash management requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding.

As of July 1, 2015, the agency has required subrecipients to provide documentation from the subrecipient's accounting system with each funding request. The documentation specifies the period in which the expenditure occurred and whether or not the request is for reimbursement or advance of funds. This documentation is tested as part of the expanded scope of items being monitored with an emphasis on ensuring any funds advanced to a subrecipient are due to an immediate cash need and the time between the draw-down and disbursement of funds is minimized.

Anticipated Completion Date: July 1, 2015

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2015-031 Department of Human Services
Improve Controls Over EBT Card Security

Federal Awarding Agency: U.S. Department of Agriculture
Program Title and CFDA Number: Supplemental Nutrition Assistance Program (SNAP)
Cluster (10.551, 10.561)
Federal Award Numbers and Year: Undetermined
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency, Noncompliance

Clients participating in the SNAP program receive benefits electronically via Electronic Benefit Transfer (EBT cards). Federal regulations (7 CFR section 274.5(c)(1) and 274.8(b)(3)) require that the department provide certain minimum security and control procedures over EBT cards including secure storage, bulk inventory control records, and periodic review and validation of inventory controls and records. The department has established procedures to meet the minimum security requirements, which include conducting monthly inventory of EBT cards, comparing to inventory counts balances on the stock control log and utilizing logs to record destruction of returned cards. The department communicates these procedures to branch offices through its Field Business Procedures Manual. Failure to follow the established procedures could result in the misappropriation and misuse of EBT cards.

We reviewed EBT card security processes for 21 of the 112 branch offices, which included reviewing whether inventory was conducted monthly for July 2014 through April 2015. Various EBT card security issues were identified at 15 of the branches. Specifically, we found:

- Ten branch offices did not always perform monthly inventories of EBT card stock. Of the ten months reviewed, 6 branches did not perform inventory for 1-3 of the months; 3 branches did not perform inventory for 4-6 of the months; 1 branch did not perform inventory for 8 of the months and was not using the stock control log for the first 6 months.
- One branch completed an inventory on a monthly basis, however, inventory was only related to the EBT bulk card stock, and did not include the daily stock.
- One branch office counts all EBT cards and records the counts on the stock control log. However, it does not complete the running balance column on the stock control log to compare the inventory counts to actual records.
- Five branches did not use the hard-copy destruction log to document destruction of EBT cards. Three of the five branches started using the destruction log in April.

Ensuring compliance with minimum security requirements helps prevent loss and misuse of EBT cards.

As part of Oregon's Single Audit, we reported a finding related to EBT card security in fiscal year 2013 (finding 2013-052) and fiscal year 2014 (2014-041). The department has provided various training to branch office personnel discussing the department's procedures for ensuring EBT card security, including detail related to inventory controls. The last training was provided in February 2015.

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We recommend department management implement a process to verify that branch offices implemented the training and follow the established procedures for securing EBT cards.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

DHS developed a Financial Desk Training for Aging and People with Disabilities (APD) and Self Sufficiency Program (SSP) staff, whose duties involve financial business process, and field managers. The Financial Desk Training includes a section on the established procedures for Electronic Benefit Transfer (EBT) card security. The Field Business Procedures Manual and the Business Review Tools are used as a basis for the training curriculum. Office leadership communicated the importance of securing EBT cards and following the policy outlined in the Field Business procedures Manual for monthly inventory.

The Financial Manager Webinar was offered live on February 11, 2015 and February 12, 2015, towards the end of the audit period. There were 96 attendees who completed this first offering. This training was added to the DHS Learning Center on May 19, 2015 as a continual offering.

There were 19 sessions of the Financial Desk Training that took place in various locations across the state between September 23, 2015 and November 9, 2015. This training will be offered as needed for new staff in the future.

In order to ensure that this training has been implemented throughout all Self Sufficiency, Aging and People with Disability and Area Agency on Aging (AAA) branch offices across the state, Central Office will provide monitoring between April 1, 2016 and July 31, 2016.

Anticipated Completion Date: August 31, 2016

2015-032 Department of Education
Menu Certification Reimbursement Practices Should Align with Federal Regulations

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Federal Award Numbers and Year:	7OR300OR3; 2014, 7OR300OR3; 2015
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Noncompliance
Questioned Costs:	\$53,770

The Healthy, Hunger-Free Kids Act of 2010 provides for school food authorities (sponsors) to receive an additional reimbursement of 6 cents per lunch served if certified by the department to be in compliance with the new school meal patterns. Per federal guidance, the department should make a certification determination within 60 days of receipt of documentation from a sponsor. Federal guidance states the sponsor should be reimbursed the 6 cents beginning the month in which the compliant meals are served.

We analyzed data and identified sponsors where the department took more than 60 days to certify the sponsor's menu. According to the department, menu certification determinations were often delayed due to the amount of time required to help sponsors comply with federal

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certification requirements. The department reimbursed each sponsor for lunches served since the sponsor's original submission rather than when the sponsor's menu met compliance with the new school meal patterns. For example, if a sponsor submitted a menu for certification in February 2014 and the department certified it in December 2014, the department reimbursed the sponsor for lunches served back to February 2014. As shown in the table below, the menus for 29 sponsors were certified 4 to 19 months after the month the menus were submitted for certification.

Months to Certify Menu	Number of Sponsors	Total Reimbursements
4	3	\$ 435
5	5	\$ 668
8	2	\$ 842
9	4	\$ 21,896
10	2	\$ 642
11	3	\$ 2,750
13	2	\$ 5,376
15	2	\$ 14,237
16	4	\$ 4,154
17	1	\$ 2,108
19	1	\$ 661
Total	29	\$ 53,770

The department indicated that federal guidance received has, at times, been conflicting or unclear as to which meals should be reimbursed. Therefore, the department's position has been to reimburse the sponsor for lunches back to the month submitted for certification, which may not be allowable.

We recommend management obtain clarification from USDA as to whether it was appropriate to reimburse sponsors for menu certifications that took longer than 60 days to complete.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding and the recommendation that department management obtain clarification from the U.S. Department of Agriculture (USDA) regarding the appropriateness to reimburse sponsors for menu certifications that took longer than 60 days to complete. These are incentive payments when the meal pattern for the National School Lunch Program is certified as being adopted. Program sponsors submitted menus from all grade levels served for a self-identified week and the certification process was designed to be completed within 60 days. It was our understanding from USDA that we were to assist program sponsors with the submitted menus beyond the 60 day certification process, rather than restart the process with more recent menus. It was also our understanding that payments for certified menus were to be paid back to the month from which they were received.

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Corrective action already taken is as follows:

- 1. The menu certification is now a part of either the administrative review or application process for new sponsors. By changing the timing of when menu certifications are conducted, the 60 day certification determination deadline is no longer an issue.*
- 2. We are communicating with our federal partners at the USDA to resolve the situation identified in the finding.*

Anticipated Completion Date: June 30, 2016

**2015-033 Department of Education
Ensure Subrecipient Monitoring Includes Federal Fiscal Requirements**

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Special Education Cluster (IDEA)(84.027, 84.173)
Federal Award Numbers and Year: H027A120095; 2013, H173A120100; 2013,
H027A130160; 2014, H173A130100; 2014,
H027A140095; 2015, H173A140100; 2015
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency, Noncompliance

The department receives Federal funding for Special Education programs (IDEA, Part B and Preschool) and passes funding to school districts and education service districts through subgrants. Federal regulation, 34 CFR 80.40(a), requires the department to ensure subrecipients are in compliance with the requirements of the special education programs and have accounting systems and internal controls adequate to administer the awards.

The department has a process to monitor and review subrecipients' compliance with specific program requirements, but the process does not consider subrecipients' accounting and internal control systems and certain fiscal requirements, such as accounting, reporting, and procurement.

Without fiscal monitoring procedures, the department could not ensure that subrecipients had adequate accounting and internal control systems in place to comply with federal fiscal requirements. As a result, the funding awarded to the state as well as the districts could be at risk of sanctions or disallowances by the federal grantor agency due to noncompliance.

We recommend department management implement fiscal monitoring processes that ensure subrecipients have accounting and internal control systems adequate to administer federal fiscal requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding and the recommendation that department management implement fiscal monitoring processes. This issue was identified by the Office of Special Education Programs (OSEP) through their audit in October 2010, with communication to Oregon occurring in November 2014.

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Over the past 11/2 years, ODE has communicated to OSEP our progress on subrecipient monitoring as well as the calculation of the Maintenance of Effort (MOE) for local educational agencies. We also communicated the delay in completing corrective actions related to subrecipient monitoring due to the recent hiring of key financial positions. Corrective action already has been taken as follows:

- 1. Communicated with districts the four options for calculating MOE.*
- 2. Encouraged the tracking of expenditures separately at the district level.*
- 3. Contacted districts that had recently failed MOE and told them ODE would not take action to request a refund for failure to meet MOE.*
- 4. Website resources were updated with current information.*
- 5. We shared and discussed draft documents with OSEP during a conference call on February 22, 2016, that would be utilized during subrecipient monitoring visits. We will incorporate, as appropriate, suggested revisions by OSEP.*
- 6. We received technical assistance resources from OSEP.*

Our planned corrective action is as follows:

- 1. ODE will finalize development of two fiscal monitoring tools: Fiscal Year Risk Assessment for Individuals with Disabilities Education Act (IDEA) Federal Grants and IDEA Fiscal Monitoring*
- 2. ODE will finalize its procedures for fiscal subrecipient monitoring to include a review of accounting and internal control systems and federal fiscal requirements of the award.*

Anticipated Completion Date: June 30, 2016

2015-034 Department of Education
Improve Controls Over Period of Performance

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education Cluster (IDEA)(84.027, 84.173)
Federal Award Numbers and Year:	H027A120095; 2013, H173A120100; 2013, H027A130160; 2014, H173A130100; 2014, H027A140095; 2015, H173A140100; 2015
Compliance Requirement:	Period of Performance
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	\$178,458

Federal regulations, 34 CFR 76.708 through 76.709, state that program funds are to be obligated within an established period of performance. Special Education funds are available for obligation beginning July 1 of the fiscal year the funds are appropriated though September 30 of the second following fiscal year.

The department charged about \$178,000 to the fiscal year 2015 grant award but the related expenditure was incurred prior to July 1, 2014, the beginning of the grant award's obligation

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period. The department has an established review process for expenditures; however, due to an error, the expenditure was coded to the wrong grant number. As a result, the expenditure was outside the period of performance.

We recommend department management ensure controls are properly designed to prevent recording expenditures outside the period of performance.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding and the recommendation that department management ensure controls are properly designed to prevent recording expenditures outside the period of performance. Due to an error, \$178,458 was recorded to an incorrect grant award. In December 2015, we updated our records and fixed the error by recording the expenditure to an allowable federal award. Currently, we review expenditures for period of performance during the grant closeout process. Our planned corrective action is to perform more frequent reviews on a quarterly basis of allowable expenditures and making corrections as needed.

Our anticipated completion date is June 30, 2016.

**2015-035 Department of Education
Improve Accuracy of Maintenance of Effort Calculations**

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Title 1 Grants to Local Educational Agencies (84.010)
Federal Award Numbers and Year:	S010A140037-14B; 2015
Compliance Requirement:	Maintenance of Effort
Type of Finding:	Significant Deficiency, Noncompliance
Questioned Costs:	\$4,196

Federal regulations (34 CFR 299.5 and Section 9521 of ESEA) provide that a Local Educational Agency (LEA) may receive Title 1 program funds if the state educational agency determines the combined fiscal effort per student or the total expenditures of the LEA from state and local funds for free public education for the prior year was not less than 90% of the combined fiscal effort or total expenditures for the second prior year. If an LEA does not maintain adequate fiscal effort, the State must reduce the LEA's Title 1 funds allocated for the next award period. Federal compliance requirements specify an LEA's maintenance of effort (MOE) expenditures include expenditures such as instruction, attendance services, health services, and other support services. The requirements further specify MOE expenditures are not to include any expenditures for community services, capital outlay, debt services, and expenditures from federally-provided funds.

We reviewed the department's maintenance of effort (MOE) calculations for 197 LEAs that may receive Title 1 funds. Staff correctly identified all 4 LEAs that did not meet MOE requirements, but inadvertently omitted reducing 1 of the 4 LEAs' fiscal year 2015 award allocation. The department did not provide for an independent review of the MOE calculations and award reductions; therefore, an LEA was allocated and reimbursed \$4,196 more than it should have been.

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Additionally, we tested a sample of 20 LEAs' MOE compliance calculations to verify expenditures used in the calculations agreed to audited financial statement amounts and included only allowable categories. Thirteen of the 20 LEAs' MOE calculations included capital outlay expenditures, contrary to federal regulations. These errors occurred because department staff did not exclude capital outlay expenditures from the financial amounts used to calculate MOE. We verified the 13 LEAs met MOE requirements in spite of the errors. However, by including capital outlay expenditures in the MOE calculations, the department increases the risk that Title 1 fund allocations may be incorrectly determined.

We recommend department management:

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding that department management improve accuracy over Maintenance of Effort (MOE) calculations. Our corrective action is as follows:

1. *An inadvertent omission during the completion of the MOE calculations resulted in a Title 1-A allocation not reduced in the amount of \$4,196 to reflect the school district's failure to meet MOE. We will recover the funds and make the appropriate repayment to the US Department of Education.*
2. *ODE will update its processes to improve controls over accuracy of MOE calculations, including:*
 - *A review of the financial expenditure methodology used to calculate MOE. We will ensure the calculation includes only those expenditures allowed by federal regulations and excludes expenditures, such as capital outlay, debt service, and expenditures from federally-provided funds and community services.*
 - *Implement an independent review of the MOE calculations and final allocations to school districts. As part of our supporting documentation, we will maintain notes of how failure to meet MOE by a school district resulted in a reduction of their final allocation.*

Anticipated Completion Date: June 30, 2016

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**2015-036 Oregon University System
Report/Special Tests**

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Federal Award Numbers and Year: Unknown
Compliance Requirement: Reporting, Special Tests and Provisions
Type of Finding: Significant Deficiency, Noncompliance

Criteria: Per CFR 34 690.83(b)(1), all schools receiving Pell grants and FDL are required to submit data to the Department of Education (ED) through the Common Origination and Disbursement (COD) System for Pell and the Direct Loan Servicing System (DLSS) via the COD for FDL. Institutions are required to submit origination and disbursement records within 15 days after the school makes a payment or becomes aware of the need to make an adjustment to previously reported data.

Condition: During our testing, we noted one instance in which the System was not in compliance with the data submission requirements.

Context: We tested a total of 50 students and noted one instance (Oregon Tech) where the student disbursement was not uploaded to the COD within the required timeframe. The student disbursement tested was submitted on the 23rd day following the disbursement.

Cause: The University did not have proper controls in place to ensure all disbursement data was uploaded to the COD timely.

Effect: The University was not in compliance with Federal regulations over the Student Financial Aid cluster.

We recommend that Oregon Tech implement controls to ensure data is pulled, reviewed, and submitted within the required timeframe.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The University will implement controls to ensure data is pulled, reviewed, and submitted within the required timeframe.

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2015-037 Oregon University System
Special Tests: Enrollment Reporting

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Federal Award Numbers and Year: Unknown
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency, Noncompliance

Criteria: Per 34 CFRs 685 and 690, and as outlined in the OMB A-133 Compliance Supplement, Part 5, institutions are required to update all information included in the enrollment report from the National Student Loan Data System (NSLDS) and return the report within the prescribed timeframe (30 days). Institutions are also required to make necessary corrections, and return, within the prescribed timeframe (ten days) for any report errors subsequently noted by NSLDS. In addition, enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.

Condition: Review of enrollment reporting data from the Universities showed that errors were not corrected and returned to NSLDS within the prescribed timeframe. In addition, per a sample of 40 students whose underlying enrollment reporting data were tested for accuracy of status and timeliness of reporting, four student's status (two at Eastern Oregon University, one at Western Oregon University, and one at Oregon Tech) were not uploaded accurately or within the prescribed timeframes noted above.

Context: The SCHER-1 enrollment reporting reports for each University were reviewed for compliance with the error reporting requirement; noncompliance was noted for each campus report reviewed. We noted this issue for all campuses that utilize the National Student Clearinghouse (NSC) for this service.

In addition, a sample of 40 students' status changes was tested. Four of this sample were not uploaded accurately and within the prescribed timeframe.

Cause: The Universities utilize the NSC to report student information to NSLDS. After uploading batch roster updates to NSLDS within the required timeframe, the Universities' error/acknowledgment file from NSLDS is available to them via their NSC services. In an attempt to correct the errors, NSC resubmitted the files within the required 10 days but unfortunately, some of those records continued to not pass the NSLDS enrollment reporting edits and we noted not additional uploads by NSC to correct these errors until the next enrollment roster request from NSLDS. The Universities did not have a monitoring process in place to ensure that the NSC corrected errors in a timely manner. In addition, controls at Eastern Oregon, Western Oregon, and Oregon Tech did not ensure status changes were made timely to the NSLDS.

Effect: Inaccurate reporting of student enrollment status information to the NSLDS could improperly delay repayment status for students with Federal loans.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Universities will work with the NSC to resolve the error reporting issues noted above. In addition, control will be enhanced to ensure timely and accurate reporting to the NSLDS.

2015-038 Oregon University System

Special Tests: Verification

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Federal Award Numbers and Year: Unknown
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency

Criteria: Federal regulations require that recipients of federal aid comply with grant requirements. Regulation further require that recipients have internal controls in place to ensure compliance with the aforementioned requirements.

Condition: During our testing, we noted that two of the universities (Southern Oregon University and Western Oregon University) subject to testing did not have proper controls in place to ensure compliance with verification requirements. When a student is selected for verification, the school will gather additional data from the student. If errors or changes are noted as part of the verification process, the university will input the corrected data in the ED's Central Processing System (CPS). Due to the lack of controls over this process, an error could occur during this process without being detected.

Context: We tested a total of 40 students selected for verification during our audit. No compliance errors were noted during our testing of this compliance attribute.

Cause: The Universities were not aware of the requirement to have a control in place to ensure they were in compliance with the verification attribute.

Effect: The Universities could potentially submit erroneous data to CPS without it being detected or a correction or change needed from the verification process may go unnoticed altogether.

We recommend that the Universities implement controls over the process of obtaining student verification data and uploading to CPS.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Universities will implement a review control over the verification process to ensure the process is occurring properly.

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2015-039 Oregon University System

Special Tests: Borrower Data Transmission and Reconciliation

Federal Awarding Agency: U.S. Department of Education
Program Title and CFDA Number: Student Financial Assistance Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Federal Award Numbers and Year: Unknown
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency

Criteria: Each month institutions are provided a School Account Statement (SAS) data file from the COD. The data file consists of a Cash Summary, Cash Detail, and Loan Detail records. Institutions are required to reconcile these files to institutional financial records. Institutions should have controls over these reconciliations to ensure compliance and accuracy.

Condition: During review of the borrower data transmission reconciliation process, we noted that two universities (Southern Oregon University and Western Oregon University) did not have adequate controls over the reconciliation process. The two universities did complete the reconciliation each month; however, there were no controls in place to ensure the reconciliation was completed or accurate.

Context: We tested a total of three reconciliations from each campus. Of the 12 reconciliations tested, we noted that Southern Oregon University and Western Oregon University were not able to provide support of a review process over the reconciliations.

Cause: The Universities in question did not have a process in place to show that they had adequately implemented controls over compliance.

Effect: Errors in the reconciliation could go unnoticed.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Universities will implement a review control over the reconciliations to ensure completeness and accuracy.

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**2015-040 Oregon Employment Department
Ensure All Required Claimants Register to Work**

Federal Awarding Agency: U.S. Department of Labor
Program Title and CFDA Number: Unemployment Insurance (17.225)
Federal Award Numbers and Year: UI-26556-15-55-A-41; 2015, UI-26415-14-60-A-41; 2014
Compliance Requirement: Eligibility
Type of Finding: Significant Deficiency, Noncompliance
Questioned Costs: \$8,347

To be eligible to receive unemployment benefits, claimants must register to work in the state they reside. An exception exists for claimants who are temporarily laid off (TLO) of work and expect to return within four weeks of initial unemployment. If the claimant does not return to work within four weeks they are no longer considered TLO and should register to work.

We randomly selected 63 claimants to verify eligibility and calculation of benefit amount. One sample item was a TLO claimant who continued to receive benefits beyond four weeks but was never required to register for work resulting in questioned costs totaling \$3,290. Another sample item was a claimant who resided out of state but the department had no evidence the claimant ever registered for work leading to \$5,057 in questioned costs. During fiscal year 2015, more than 44,000 claimants were classified as TLO and more than 8,000 claimants were classified as out of state. Upon further inquiry, it was determined that the department did not have controls in place to ensure these specific types of claimants registered for work when required as discussed below.

- For TLO claimants, the department's legacy mainframe system is not programmed to identify/flag TLO claimants after the initial four weeks have passed. As a result, they may not register for work and can continue to receive benefits. In June 2015, the department implemented a manual process to identify if TLO claimants had surpassed the initial four weeks. However, according to the department the process uses a lot of resources and is not sustainable.
- For claimants who reside out of state, a formal process to inform the claimant they must register in their state of residence and a follow-up to ensure they comply has never been implemented. The department has been aware of this issue and was informed by U.S. Department of Labor in 2010 that the benefits should be considered improper payments. According to the department, due to limited information technology resources, limited staffing, and continued high workloads, this issue had not been resolved. During fiscal year 2015, the department identified options to address the issue.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the findings on both the issue of TLO and claimants who reside out of state.

Regarding the TLO finding, the Department (OED), after the time period at issue in this audit, developed a tool in its Business Intelligence system to help identify these claims in a way that could

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not be done in our legacy mainframe system. OED has been manually reviewing claims identified through this tool, but doing so is very labor intensive and impedes our ability to do other essential work. OED has developed a plan to allow it to more efficiently identify and review claims with potential TLO issues. On January 28th, OED submitted a grant request to the Center of Excellence (an organization supported by the National Association of State Workforce Agencies and the US Department of Labor) for funds to conduct a pilot project to address the TLO issues identified above in the findings. OED is implementing this pilot even if it does not receive those grant funds, although that might delay implementation beyond our current planned completion date.

Specifically, the goal of the pilot is to reduce improper payments to UI claimants who do not meet the requirements to be considered TLO by creating new selection criteria to identify those claimants. Once OED has that data, it will reassign staff to work the claims that have been identifies for review. In addition, OED will review and rewrite our TLO messaging (letters, online, and phone system) to ensure that its communications are understandable, customer oriented and ultimately more effective. OED has built in a three, six, nine and 12 month review process to evaluate the results of the pilot and refine the criteria used to identify potential TLO issues.

Anticipated Completion Date: June 30, 2016

2015-041 Higher Education Coordinating Commission
Reporting

Federal Awarding Agency: U.S. Department of Labor
Program Title and CFDA Number: Workforce Investment Act Cluster (17.258, 17.259, 17.278)
Federal Award Numbers and Year: Unknown
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency, Noncompliance

Criteria: The Organization's grants with its federal funder require the Organization to perform subaward reporting under the Transparency Act (FFATA).

Condition: We noted no FFATA reporting was performed.

Cause: According to management, there were insufficient resources allocated to the Organization to be able to comply with this requirement.

Effect: The Organization did not have internal controls in place to ensure that FFATA reporting was completed.

Recommendation: The Organization should establish additional internal controls to ensure that FFATA reporting is completed.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We partially agree to the finding in the letter.

While we have not completed our FFATA reporting, we have taken several steps to correct this as outlined in the next paragraph.

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We have written instructions on how to report and have developed a form to capture all the reporting elements needed. We have entered some reports into the website, however due to a change in personnel, we can't retrieve that information at this time. We are working on updating the personnel on the reporting website. In order to do this, we have to submit a notarized letter to the System for Award Management (SAM). The letter was submitted to SAM on Monday March 14, 2016.

Anticipated Completion Date: June 30, 2016

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, 2014. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2013 that were uncorrected at June 30, 2014.

Finding 2014-001: **Department of Human Services**
Controls in Receiving Unit Should Continue To Be Strengthened
Significant Deficiency

Recommendation: Department management ensure internal controls over its check receiving process are sufficient to ensure all checks are safeguarded, properly tracked and accounted for in its financial records.

Status: Corrective action was taken.

Finding 2014-002: **Oregon Health Authority**
Lack of Assurance that Controls Exist and are Effective over a
Significant Financial System
Significant Deficiency

Recommendation: Department management seek adequate assurance for the accuracy of all financial information they report. Management should have a documented understanding of the controls involved in transactions, whether automated or manual, to ensure the integrity of the information. When necessary, such as for significant financial systems operated by independent service providers, department management should obtain timely independent assurance over the accuracy and reliability of the information.

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

Medical Assistance Programs of the Oregon Health Authority released a Request for Proposal (RFP) in late December 2014 to procure an independent contractor to perform annual audits of the internal controls implemented by Hewlett-Packard (HP) Enterprise Services, LLC, for its operation of the MMIS. The selected contractor will be required to perform the annual audits in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting for Controls at a Service Organization, and provide the agency with annual SSAE 16 "type 2 reports" documenting the internal controls and the operating effectiveness of those controls. HP Enterprise Services is required by its contract with OHA to take immediate corrective action to remedy all material weaknesses, deficiencies, or findings identified in a SSAE 16 type 2 audit report. The first annual audit by the selected contractor will be for state fiscal year 2015, ending in June 2015. OHA will require the selected

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contractor to submit annual audit reports by the end of September following each state fiscal year.

In addition to the ongoing effort to better oversee and document the contractor controls within the drug rebate program addressed in last year's audit, staff from Medical Assistance Programs and the Office of Financial Services meet biweekly with Hewlett Packard counterparts from technical and financial areas to discuss MMIS data questions and anomalies, system testing, outstanding MMIS production changes, and upcoming system changes and impacts. The group also reviews and manages an action item list to document the group's work and those responsible for taking action.

Finding 2014-003: **Department of Administrative Services**
Repair and Maintenance Costs Should Not Be Capitalized
Significant Deficiency

Recommendation: Management develop a capitalization policy that allows for appropriate decisions regarding when building costs should be capitalized and when they should be expensed in the current period. The capitalization policy should agree with Governmental Accounting Standards.

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

DAS Enterprise Asset Management (EAM) has developed two new capitalization policies effective July 1st, 2015. The purpose is to identify when the buildings costs should be capitalized and when they should be expensed in the current period (Policy # 107-002), and to reassess the DAS owned buildings useful life (Policy # 107-003).

Finding 2014-004: **Department of Administrative Services**
Estimated Useful Lives Associated with Buildings are Not Periodically Reviewed
Significant Deficiency

Recommendation: Management implement a process to regularly review the useful lives of its buildings and building improvements to ensure compliance with Governmental Accounting Standards.

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

DAS Enterprise Asset Management (EAM) has developed two new capitalization policies effective July 1st, 2015. The purpose is to identify when the buildings costs should be capitalized and when they should be expensed in the current period (Policy # 107-002), and to reassess the DAS owned buildings useful life (Policy # 107-003).

Finding 2014-005: **Department of Revenue**
Perform Cash Reconciliations on a Regular and Timely Basis
Significant Deficiency

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

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

DOR staff worked diligently to bring current all reconciliations, but one Treasury Account reconciliation (Suspense Account 15003) is still pending. Our largest and most complex account (Account 15091) has been reconciled through July 2015. The 15003 account holds money for payment of issued refunds and ensures banking processes withdraw the correct amount of monies when refunds are presented for payment. Actual issuance of refunds has been properly recorded in SFMS. There are several reconciliation categories related to the 15003 account. We have reconciled all but one of the categories of the 15003 account and expect the reconciliation will be brought current no later than September 30, 2015.

Finding 2014-006: **Department of Revenue**
Perform Management Review of Taxes Receivables Accruals
Significant Deficiency

Recommendation: Department management perform effective and timely reviews of the taxes receivable estimates to ensure accrual calculations are accurate.

Status: Corrective action was taken.

Finding 2014-007: **Oregon University System**
Lack of Proper Segregation of Duties in the Internal Control
Structure Related to Information Technology
Significant Deficiency

Recommendation: Management should ensure proper segregation of duties is established by removing access rights so that no one employee has the ability to perform all phases of a transaction. If in the rare circumstances that access rights cannot be removed for certain employees, an automated process should be implemented so that when and if these employees perform a series of transactions that violates proper segregation of duties, a supervisor is informed and must approve that the actions taken by the employee were authorized and appropriate.

Status: Corrective action was taken.

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Finding 2014-008: **Oregon Department of Forestry**
Accounting for Liabilities Needs Improvement
Significant Deficiency

Recommendation: Department management seek appropriate and timely guidance prior to year-end to properly record transactions for financial reporting purposes.

Status: Corrective action was taken.

Finding 2014-009: **Oregon Department of Forestry**
Control to Ensure Proper Recording of Revenue Need Improvement
Significant Deficiency

Recommendation: Management strengthen its review and monitoring of internal control procedures, implementing policies if needed, to ensure staff are performing procedures and retaining documentation as necessary to ensure the complete and accurate recording of revenue.

Status: Corrective action was taken.

Finding 2014-010: **Oregon Department of Fish and Wildlife**
Federal Revenue Accrual Procedures Need Improvement
Significant Deficiency

Recommendation: Management analyze collection patterns for the 90-day accrual period and develop a consistent methodology for estimating federal revenue, current receivables, and noncurrent receivables.

Status: Corrective action was taken.

Finding 2014-011: **Oregon Department of Transportation**
Strengthen Cash Handling Procedures for Fuels Taxes
Significant Deficiency

Recommendation: Department management review and revise the existing cash handling procedures for fuels taxes to ensure receipts continue to be correctly recorded and to strengthen safeguards over the receipts.

Status: Corrective action was taken.

Finding 2013-001: **Department of Human Services/Oregon Health Authority**
Controls in Receiving Unit Should Be Strengthened
Material Weakness

Recommendation: Department management improve controls in the Receiving Unit to ensure all checks are safeguarded, properly tracked and accounted for in the financial records.

Status: Corrective action was taken.

Finding 2013-004: **Department of Human Services/Oregon Health Authority**
Improve Controls Over Insurance Premium Revenue

Recommendation: Department management implement internal controls to ensure that all insurance premium revenue due to the department is received, properly classified, and properly recorded.

Status: Corrective action was taken.

Finding 2013-005: **Department of Human Services/Oregon Health Authority**
Improve Accounting Controls Over Buildings and Accumulated Depreciation

Recommendation: Department management improve controls to ensure account balances are accurately stated and reconciled to supporting documentation.

Status: Corrective action was taken.

Finding 2013-007: **Department of Human Services/Oregon Health Authority**
Improve Controls Over Drug Rebate Revenues

Recommendation: Department management gain a better understanding of the controls already in place and implement the necessary complimentary controls to provide assurance that all drug rebate revenue is correctly calculated, invoiced, received, and recorded in the accounting system.

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

The agency has contracted with an independent firm to perform annual audits in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting for Controls at a Service Organization, and provide the agency with annual SSAE 16 "type 2 reports" documenting the internal controls and the operating effectiveness of those controls. HP Enterprise Services is required by its contract with OHA to take immediate corrective action to remedy all material weaknesses, deficiencies, or findings identified in a SSAE 16 type 2 audit report. The first annual audit

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is for state fiscal year 2015, ending in June 2015. The contractor firm is required to submit annual audit reports by the end of September following each state fiscal year.

Finding 2013-009: **Department of Administrative Services**
Improve Accounting Procedures around Buildings and Building Improvements

Recommendation: Department management strengthen review processes over the capitalization and disposal of buildings and building improvements to prevent similar errors from occurring in the future.

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

DAS Enterprise Asset Management (EAM) has developed two new capitalization policies effective July 1st 2015. The purpose is to identify when the buildings costs should capitalized and when they should be expensed in the current period (Policy # 107-002), and to reassess the DAS owned buildings useful life (Policy # 107-003). Program management is following these new policies, but final administrative approval has been deferred during a transition in leadership. Management is now in the process of amending these policies to include the review and identification of relocation costs from capital project costs.

Finding 2013-021: **Department of State Lands**
Internal Control Over Financial Reporting

Recommendation: Procedures should be implemented to ensure significant accounts are reconciled in a timely or accurate manner and reviewed by a supervisor.

Status: Corrective action was taken.

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, 2014. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2013 that were uncorrected at June 30, 2014.

Finding 2014-012: **Department of Human Services**
Reimbursements Submitted Outside Period of Availability
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Period of Availability
Material Weakness, Material Noncompliance

Recommendation: Department management implement system changes to OR-Kids to prevent transactions from reimbursing outside the period of availability. We also recommend management make appropriate corrections and adjustments to the accounting records to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of availability.

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

The federal draws are being reconciled at the end of each quarter to the total federal expenditures reported to Administration for Children and Families (ACF). Remediation adjustments were completed in December 2014. Revisions to all federal reports dating back to September 30, 2011 have been included as prior period adjustments on the June 30, 2015 report. Adjustments to the state accounting system were completed by September 30, 2015. We hope to have the OR-Kids system adjustment issue resolved by December 31, 2016.

Finding 2014-013: **Department of Human Services**
Quarterly CB-496 Not Supported
Foster Care – Title IV-E (93.658)
Adoption Assistance – Title IV-E (93.659)
Reporting
Material Weakness, Material Noncompliance

Recommendation: Department management implement and document processes to ensure quarterly CB-496 reports are complete, accurate, and adequately supported by the accounting records.

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

The federal draws are being reconciled at the end of each quarter to the total federal expenditures reported to Administration for Children and Families (ACF). Remediation adjustments were completed in December

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2014. Revisions to all federal reports dating back to September 30, 2011 have been included as prior period adjustments on the June 30, 2015 report. Adjustments to the state accounting system were completed by September 30, 2015.

Finding 2014-014: **Department of Human Services**
Provider Eligibility Not Supported
Foster Care – Title IV-E (93.658)
Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: \$8,100

Recommendation: Department management ensure all required documentation is completed, reviewed, and maintained. We also recommend department management reimburse the federal agency for costs paid to the provider who was not certified at the time of payment.

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

The department submitted the Program Improvement Plan to the Administration for Children and Families and it was approved on June 24, 2015. The department must submit quarterly updates and the final report must be submitted June 22, 2016. Internal Audits have a copy of the final approved Program Improvement Plan and they will receive copies of the quarterly updates.

The department completed training of the Title IV-E specialists on the proper procedures to view criminal background check documentation, certificates and home studies to ensure the Title IV-E eligibility is determined accurately. This training occurred at the Title IV-E Specialist Quarterly in February 2015.

The department corrected the eligibility on the error case on February 24, 2015 and the adjustment of Title IV-E claiming was reported on the CB-496 Quarter Ending March 31, 2015.

Finding 2014-015: **Department of Human Services**
Undocumented Methodology for Costs Charged to Program
Foster Care – Title IV-E (93.658)
Activities Allowed or Unallowed
Significant Deficiency, Noncompliance

Recommendation: Department management ensure its methodology for allocating administrative costs to the Title IV-E Foster Care program is documented and adequately supported.

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

The Federal Policy, Planning and Resources (FPPR) manager has identified all the contracts with unique methodology for allocating administrative costs. The FPPR manager will complete analysis to determine the appropriate funding methodology and make the necessary changes through the Office of Contracts and Procurement and the Office of Financial Services. The completion target date is June 30, 2016.

Finding 2014-016: **Department of Human Services**
Federal Adoption Assistance Eligibility Incorrectly Closed
Adoption Assistance – Title IV-E (93.659)
Eligibility
Material Weakness

Recommendation: Department management identify all causes of closed federal eligibility and improve its case management processes to ensure federal reimbursements are received for eligible cases. We also recommend department management re-open federal eligibility for all eligible cases that were incorrectly closed.

Status: Corrective action was taken.

Finding 2014-017: **Department of Human Services**
Improve Reliability of Data Used to Estimate Savings in State Expenditures
Adoption Assistance – Title IV-E (93.659)
Level of Effort
Significant Deficiency

Recommendation: Department management continue to correct known applicable child eligibility data issues and develop a consistent process to identify and document applicable child eligibility to ensure data used to estimate the savings in state expenditures is accurate. Also, once clarification is received from the federal agency, department management should ensure applicable child eligibility is applied appropriately to prior cases and make any necessary corrections.

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

In May 2015 the department received the Children’s Bureau policy instruction (ACFY-CB-PI-15-06), which outlined the requirements for calculating adoption savings related to applicable child eligibility. The PI confirmed that the changes in program eligibility criteria impacts only the number of children who, absent the applicable child criteria, would not be determined as title IV-E eligible for adoption assistance. The department has opted to use “actual amounts” to track and calculate applicable child adoption savings. Requirements have been finalized for an updated OR-Kids determination that will allow us to track children who are eligible as

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applicable child only and children who are eligible based on their foster care episode and applicable child criteria. Completion of the new determination is estimated for March 2016. In the interim, we are utilizing the existing adoption assistance determination in the OR-Kids system to track those children who are title IV-E eligible as applicable child only. In June 2015 the department completed redetermination of approximately 1000 adoption assistance determinations to clean-up data conversion errors impacting applicable child data.

Finding 2014-018: **Department of Human Services/Oregon Health Authority**
Ensure Medicaid Payments are Sufficiently Supported
Medicaid Cluster (93.777, 93.778)
Activities Allowed or Unallowed, Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: \$472

Recommendation: Department and authority management strengthen controls to ensure sufficient documentation is maintained to demonstrate compliance with federal requirements, support for payment amounts and income is retained, and the client liability is calculated accurately.

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

The department will be working within our programs to ensure these requirements are shared with staff and continued to be followed appropriately. Since the period of time covered by the audit, DHS Self-Sufficiency field offices have been in the process of moving toward electronic case files as part of our EDMS Expansion project.

Finding 2014-019: **Department of Human Services**
Strengthen Controls to Ensure Provider Eligibility Documentation is Maintained
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Material Weakness, Material Noncompliance
Questioned Costs: \$30,762

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

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

The department is in the process of verifying the eligibility of the five current providers identified with missing provider enrollment agreements. Once completed, the department will take the necessary steps to revalidate or close the associated provider numbers. Two of these

providers have current provider agreements and are eligible to provide services. Two other providers are no longer providing services. We continue to work with our AAA partners to research the status for the remaining provider.

The Provider Relations Unit has participated in multiple education and outreach sessions addressing the provider enrollment validation process including program manager meetings, licenser trainings, and ODDS plan of care conference calls reminding local staff and managers of the need to retain the provider eligibility documentation within their provider files.

Finding 2014-020: **Department of Human Services**
Improve Timeliness of Nursing Facility Surveys
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Management develop a plan based on current resources to ensure the timely completion of provider health and safety standard surveys for nursing facilities.

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

Oregon has a long history of meeting the Centers for Medicare and Medicaid Services (CMS) performance standards related to surveying facilities in fewer than 15.9 months. The Nursing Facility Licensing Unit is dedicated to bringing our CMS performance standard back into compliance and we anticipate reaching compliance in early 2016.

Over the past four years various staffing resource issues, such as the position freeze and mandatory furloughs, have significantly affected our ability to complete our work timely. In fact, our vacancy rate for surveyors reached 34% by the end of the freeze.

Implementation of the CMS Quality Indicator Survey (QIS) process also contributed to our failure to meet the CMS performance standards. In addition to the general difficulties inherent in a new process and system, it increased our required survey team size (particularly for small facilities) for a period of time, increased training requirements, and lengthened total survey time during the implementation period.

Over the past four years we have implemented several continuous improvement activities that have resulted in efficiency gains to the survey process, in turn reducing the amount of time it takes to survey facilities. Those efficiencies have resulted in a 33% reduction in new surveyor training time.

We have made efforts to minimize survey-related travel and made a 10% reduction in report writing time. We have implemented an electronic

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document workflow process, streamlined our report review process to facilitate a faster turnaround time between surveys, and provided provider training on how they can prepare for and assist with the survey process. Since January 2013 we have hired 19 new surveyors. However, we have had 16 surveyors leave in the same time period due to retirements, promotional opportunities, competition with private industry related to salary, and surveyors not demonstrating skills needed to make it through trial service.

Over the coming year, we are taking the following steps to achieve compliance with this CMS requirement.

- We have received approval to hire three additional surveyors based on a historical vacancy factor. Hiring these three surveyors will allow us to hire and train well in advance of any anticipated or unanticipated departures. Based on current vacancies, projected new hires, and training restraints, we expect to have these three positions filled in August 2015, staff trained within six months of hire and enrolled in CMS basic LTC surveyor training as soon as possible thereafter.
- All remaining surveyor vacancies will be filled by August 2015. We project all new surveyors will be trained, CMS certified and QIS registered approximately six months after hire.
- We will assess the survey and training teams to optimize production, optimize survey and surveyor turnaround time.
- We will evaluate utilization of CMS-approved survey contractor to help us complete surveys. This resource is dependent on CMS support and availability within other states.
- We have also brought retired/resigned surveyors back on a temporary basis to perform surveys.
- We will continue to survey the oldest facilities first (facilities that haven't been surveyed in the greatest amount of time). Though this will cause us to survey more facilities above 15.9 months in the short run, it will help us achieve compliance sooner, and minimize the time between surveys as much as possible.

Our goal is to achieve compliance with this requirement, and to have no facility with a survey interval over 15.9 months in early 2016.

As of June 30, 2015 all surveys conducted since June 30, 2015 were less than 15.9 months and will continue to be less than 15.9 months going forward.

Finding 2014-021: **Oregon Health Authority**
Strengthen ADP Risk Analyses and System Security Review
Procedures
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

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

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

The Information Security and Privacy Office (ISPO) is currently in the process of performing a Risk Assessment (RA) on the MMIS System. The first part of this assessment was completed in March 2015. ISPO is also on track to perform vulnerability assessments on MMIS in the summer of 2015. We anticipate that a number of subsystems that “feed” into or use output from MMIS may also be candidates for evaluation. This is dependent on ensuring that the evaluations will not disrupt the transition from Cover Oregon (CO) Health Insurance Exchange or the contingency support efforts for CO during the Magi/Medicaid and Qualified Health Plan Transition project. We anticipate that evaluation of those systems will occur in during the 3rd and 4th quarter of 2015. ISPO’s RA program is in the operational pilot stage. Staff have undergone formal training by ISACA and have successfully conducted two pilot assessments to fine tune the tool selection and processes. The overarching policy has been approved as part of a revised security policy set.

Finding 2014-022: **Oregon Health Authority**
Improve Controls Over the Identification and Review of MMIS Key
Edits
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Material Weakness

Recommendation: Management develop a plan that identifies key MMIS edits and implement procedures to periodically test key system edits to ensure they are functioning as intended.

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

Medical Assistance Programs (MAP) intends to identify the key edits based on frequency of posting and posting on high-cost claims. Once the key edits are identified, random samples of claims that posted a key edit will be pulled and reviewed manually for correct payment. It is planned

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this will be done each quarter with the sample size of 20 to 25 claims per quarter. The results of these reviews will be recorded for documentation purposes. A change request to help implement this process has been created.

Finding 2014-023: **Oregon Health Authority**
Ensure Required Provider Screening is Documented
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency

Recommendation: That authority management maintain evidence of the initial and renewing database checks for enrolled providers.

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

The permanent MMIS solution, which consists of a new panel in the provider subsystem where enrollment staff “checks” a separate box for each required database went into production in the MMIS in August 2014. These checking actions are both date stamped and recorded for audit purposes. All enrollments and revalidations that occurred after the August 2014 date now have the permanent evidence of being reviewed. We have targeted the revalidation process for completion by December 31, 2016.

Finding 2014-024: **Department of Human Services**
Improve Compliance with Work Verification Plan
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Material Weakness, Noncompliance

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

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

Work Verification Plan reviews (also known as the JOBS Audits) are currently conducted annually. A summary of audit results is shared statewide, most recently in March 2015 for the 2014 review summary. The department plans on continuing these audits and building in more opportunities for coaching and mentoring for branch leadership, staff and partners. This will allow for further guidance on the correct use of JOBS activity codes, correct use of attendance tracking documents (including treatment, education and job readiness hours), and accurate counting toward participation hours. The JOBS Activity Guidelines (JAG) will be

used as the curriculum of this targeted effort. The JAG will be adjusted and updated to ensure compliance with the Work Verification Plan as needed. The next field audits will occur during the fall and winter of 2015 with the review summary available by the first quarter of calendar year 2016.

The 2014 JOBS Audit summary was shared with the TANF Training Unit at the April 2015 monthly TANF Integrity meeting, as well as the April 2015 line manager quarterly. Case management training was reviewed for accuracy and updated by June 30, 2015 to support the 2014 review findings.

The department has identified point persons for each district (most by branch level), known as the Work Verification Points, who disseminate participation information, share best practices and strategies to prevent errors, and provide policy responses in an efficient manner. This method allows the department to give consistent consultation statewide in a concise way. Branches are able to use the information as mini 'huddle' topics in a quick turnaround design. The department will start posting these 'huddle' topic emails to our internal website in May 2015.

The department will continue to pursue an electronic document storage system for TANF JOBS records.

Our internal Federal Data group identified two systems issues that contributed to the conflicting data in the findings. Both are being addressed by programmers and business analysts in conjunction with TANF Program. These fixes will be programmed and reflected for FY 2015 data.

The department has submitted a Work Verification Plan effective July 1, 2014 that addresses the usage of at least the first two consecutive weeks of verified attendance with instructions to enter the actual average and project out the same weekly average for up to six months.

Finding 2014-025: **Department of Human Services**
Improve Documentation of Required Income and Benefit Verifications
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management ensure verification of income with IEVS screens is clearly documented in client case files when determining client eligibility.

Status: Corrective action was taken.

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Finding 2014-026: **Department of Human Services**
Improve Accuracy and Completeness of Performance Data Reports
Temporary Assistance for Needy Families (93.558)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management ensure complete and accurate client information is used to compile the quarterly data reports.

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

As of June 2015, Child Welfare cases are now being included in the TANF federal reports. Action was taken on all categories identified in this finding including the duplicate case issue identified in the data submitted on the ACF-209 and the inclusion of TANF funded child welfare cases in the ACF-199. Programming changes to address the problem with reporting duplicate cases were made and the changes were incorporated with the data submitted for FY 2014 forward. This finding will remain open due to errors identified in the FY 2015 audit.

Finding 2014-027: **Department of Human Services**
Questionable Interpretation of Federal Five-Year Time Limit
Temporary Assistance for Needy Families (93.558)
Eligibility
Noncompliance

Recommendation: The department seek a conclusion from the federal government to ensure five-year time limit monthly exemptions are being appropriately applied in accordance with federal regulations.

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

On March 31, 2015 ACF issued a decision on this finding which directs the department to provide a methodology and timeline for utilizing the definition of "Indian Country" consistent with federal regulation. The department has been consulting with Oregon Tribes through the Department of Justice on a way to address their concerns. A plan, which includes methodology and timeframes, will be submitted to ACF by September 27, 2015.

Finding 2014-028: **Oregon Health Authority**
Ensure Compliance Site Visits are Performed Timely
Immunization Cooperative Agreements (93.268)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Management ensure compliance site visits are performed timely for all enrolled and active providers.

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

To address the audit finding, the Oregon Immunization Program has set in motion a variety of steps in order to impact the program's ability to meet their federally determined site visit goal. These actions include exploratory discussions on staffing options/efficiencies with our counterparts in Washington State and with our CDC project officer and the use of technology to make the site visits more efficient for staff, namely tablets have been implemented to streamline site visits and cut down on double data entry. In addition, some tasks have been removed from staff who complete site visits and assigned to lower level staff. These efforts have been countered by a hiring pause which has been in effect throughout the agency, creating vacancies that impact our ability to complete site visits.

The program continues to develop process improvement activities and will explore additional options to create efficiencies. New staffing options are being considered including the creation of compliance focused positions which will complete the bulk of our site visits if implemented. Continued data analysis is planned to evaluate the number of staff needed to complete the new and upcoming CDC requirements for site visits.

Finding 2014-029: **Oregon Health Authority**
Strengthen Controls Over Timesheet Review
Immunization Cooperative Agreements (93.268)
Allowable Costs/Cost Principles
Significant Deficiency

Recommendation: Management consider implementing a payroll process that is sufficiently detailed to allow for an efficient and effective review of employee time and coding. We also recommend management ensure controls are fully implemented to document the review used to justify payroll funding splits.

Status: Corrective action was taken.

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Finding 2014-030: **Department of Human Services/Oregon Health Authority**
Update Cash Management Clearance Patterns
Supplemental Nutrition Assistance Program (SNAP) Cluster
(10.551,10.561)
Temporary Assistance for Needy Families (93.558)
Foster Care - Title IV-E (93.658)
Children's Health Insurance Program (93.767)
Medicaid Cluster (93.777, 93.778)
Cash Management
Significant Deficiency, Noncompliance

Recommendation: Management determine the amount of interest owed to the federal government for Medicaid and CHIP and ensure clearance patterns in the draw calculation spreadsheet are updated annually to reflect any changes in the CMIA agreement.

Status: Corrective action was taken.

Finding 2014-031: **Department of Human Services/Oregon Health Authority**
Timely Submit Changes to Cost Allocation Plan Statistics
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551,
10.561)
Immunization Cooperative Agreements (93.268)
Temporary Assistance for Needy Families (93.558)
Child Care and Development Fund Cluster (93.575, 93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance - Title IV-E (93.659)
Children's Health Insurance Program (93.767)
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance

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

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

Due to changes in the organizational structure of OHA. Our update of the OHA PACAP will be delayed until April 2016. We will provide this update

as soon as OHA finalizes their structure and we have completed analysis of the resulting changes.

Finding 2014-032: **Department of Human Services**
Improve Controls Over Income Calculations for Eligibility
Child Care and Development Fund Cluster (93.575, 93.596)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: \$287,176

Recommendation: Department management ensure client's monthly copay is correctly calculated and client's income documentation is maintained.

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

Program provided a copy of On-Target Newsletter, Policy Transmittal, April Self Sufficiency Supervisor Agenda and May 2015 SSP Field Leadership Update, which addressed the need to correctly determine copays when transitioning from TANF to ERDC. This finding will remain open due to errors identified in the FY 2015 review

Finding 2014-033: **Department of Education**
Improve Controls Over Period of Availability
Child Care and Development Fund Cluster (93.575, 93.596)
Period of Availability
Significant Deficiency, Noncompliance
Questioned Costs: \$122,977

Recommendation: Department management ensure system coding is either updated timely or ensure the grant review process identifies costs charged after the end of an obligation period.

Status: Corrective action was taken.

Finding 2014-034: **Department of Education**
Improve Subaward Reporting Under the Transparency Act
Child Care and Development Fund Cluster (93.575, 93.596)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management ensure all FFATA reports for this program are submitted as required.

Status: Corrective action was taken.

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Finding 2014-035: **Department of Education**
Strengthen Controls over Earmarking
Child Care and Development Fund Cluster (93.575, 93.596)
Earmarking
Significant Deficiency

Recommendation: Department management notify DHS of accounting entries the department makes to data DHS reports to the department so DHS can update its accounting records and update the data reports it submits to the department. We also recommend the department update and resubmit the report for the 2013 grant award.

Status: Corrective action was taken.

Finding 2014-036: **Oregon Housing and Community Services Department**
Improve Reviews of Subrecipients
Low-Income Home Energy Assistance (CFDA 93.568)
Activities Allowed or Unallowed, Earmarking, Subrecipient Monitoring
Material Weakness

Recommendation: Department management strengthen its fiscal monitoring to ensure federal reimbursements are for allowable program activities and required limitations are not exceeded.

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

The partial corrective action taken involves a new process that requires subrecipients to submit a general ledger or other form of accounting record at the time of requesting funds. This documentation will specify the period in which the expenditure occurred, provide general categories to check for allowability, and identify whether the request is a reimbursement or advance. The documentation will subsequently be tested to ensure alignment with the existing system used to establish expenditure limits by category. This will be done as part of an expanded scope of items being monitored to ensure supporting documentation exists and substantiate allowability and timing of the expense.

Finding 2014-037: **Oregon Housing and Community Services Department**
Improve Reviews of Subrecipient Allocated Costs
Low-Income Home Energy Assistance (CFDA 93.568)
Allowable Costs/Cost Principles, Subrecipient Monitoring
Material Weakness

Recommendation: Department management develop procedures and provide training to staff to ensure the cost allocation plans of its subrecipients are sufficiently reviewed to determine whether the cost allocation plans are in compliance with applicable cost principles.

Status:	Partial corrective action was taken. The agency response is as follows: The partial corrective action taken involves clarification, procedures, and training to the fiscal monitor in order to examine and test application of the subrecipient cost allocation plan or indirect rate. The updated procedure provides assurance that costs are equitably distributed in accordance with the agencies approved cost allocation plan. Allocations will be tested by the fiscal monitor during the subrecipient monitoring visit to ensure adequate documentation exists to substantiate reasonableness and the appropriate application of the allocation basis.
Finding 2014-038:	Oregon Department of Housing and Community Services <u>Strengthen Controls Over Cash Management</u> Low-Income Home Energy Assistance (CFDA 93.568) Cash Management Material Weakness
Recommendation:	Department management ensure adequate controls are implemented to ensure subrecipient requests for funds are in compliance with federal cash management requirements.
Status:	Partial corrective action was taken. The agency response is as follows: The partial corrective action taken involves an expanded review of the request for funds by the grants specialist to ensure subrecipients properly classify funding requests as a reimbursement or an advance. This review is accomplished through a new process that requires subrecipients to submit a general ledger or other form of accounting record at the time of requesting funds that details the time frame in which the expenditure occurred. The documentation will subsequently be tested as part of an expanded scope of items being monitored during the subrecipient monitoring visit for appropriateness, allowability, and immediacy of need.
Finding 2014-039:	Department of Justice <u>Improve Controls and Ensure Compliance with Transparency Act</u> Reporting Child Support Enforcement (93.563) Reporting Significant Deficiency, Noncompliance
Recommendation:	Management improve controls to ensure compliance with FFATA reporting requirements.
Status:	Corrective action was taken.

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Finding 2014-040: **Department of Justice**
Continue to Strengthen Controls Over Financial Reporting
Child Support Enforcement (93.563)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management continue to strengthen controls to ensure reported amounts are complete, accurate, and agree to accounting records; and we recommend management submit corrections for the miss-reported amounts for the quarter ended June 30, 2014.

Status: Corrective action was taken.

Finding 2014-041: **Department of Human Services**
Controls Over EBT Card Security Were Not Followed
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551,
10.561)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management ensure branch offices are aware of and follow the established procedures for securing EBT cards.

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

Self Sufficiency Program Office Managers and Business Experts received the Financial Training for Managers, focusing on Electronic Benefit Transfer (EBT) card security and managing RACF access, in May 2014. In addition, a communication was sent to office leadership in June 2014, regarding the importance of securing EBT cards and following the policy outlined in the Field Business Procedures Manual for monthly inventory.

The Financial Training for Managers was converted to a webinar format and was delivered live to Self-Sufficiency, Child Welfare and Aging and People with Disabilities management on December 23, 2014, February 11, 2015 and February 12, 2015. A webinar, The Financial Training for Manager, was recorded and posted to the Learning Center on May 19, 2015. This finding will remain open due to errors identified in the FY 2015 review.

Finding 2014-042: **Department of Human Services**
Expenditures Incurred Outside the Period of Availability
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Period of Availability
Significant Deficiency, Noncompliance

Recommendation: Department management ensure its review process identifies transactions charged to a grant award outside the period of availability.

Status: Corrective action was taken.

Finding 2014-043: **Department of Human Services**
Improve EBT Reconciliation Controls
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Special Tests and Provisions
Significant Deficiency

Recommendation: Department management improve its review process by considering implementing a more in depth review, ensuring critical formulas cannot be modified and providing training to staff.

Status: Corrective action was taken.

Finding 2014-044: **Department of Education**
Improve Subaward Reporting Under the Federal Funding Accountability and Transparency Act
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Child and Adult Care Food Program (CACFP)(10.558)
Title I, Part A (84.010)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management strengthen existing controls to ensure FFATA reports are independently reviewed prior to submission to the federal government. We further recommend department management ensure required reports are submitted for the Child Nutrition Cluster and CACFP FY 2014 federal awards.

Status: Corrective action was taken.

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Finding 2014-045: **Department of Education**
Improve Controls for Subrecipient Administrative Reviews
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Department management strengthen existing controls to ensure the administrative review tools used during subrecipient monitoring are filled out completely and include evidence of monitoring for all critical and general areas of review.

Status: Corrective action was taken.

Finding 2014-046: **Department of Education**
Ensure All Required Administrative Reviews Are Completed
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Subrecipient Monitoring
Noncompliance

Recommendation: Department management ensure it completes all required subrecipient administrative reviews in compliance with federal regulations.

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

ODE has taken the following steps to ensure all required subrecipient administrative reviews are in compliance with federal regulations:

1. For those sponsors currently participating, ODE has scheduled reviews for a three-year cycle.
2. A second staff member verifies all sponsors are scheduled for review and it's been not more than three years since a sponsor's last review.
3. ODE adjusted review schedules to meet regulatory requirements and will request exceptions from the U.S. Department of Agriculture as necessary.
4. The spring prior to the review year, ODE verifies continued participation in the National School Lunch Program/School Breakfast Program.
5. Finally, ODE added the administrative review tool to ODE's internal CNPweb tracking system when the sponsor is approved as a subrecipient.

During the previous year's audit, eight sponsors were identified as not receiving an administrative review. During the current year, we completed review of four of the sponsors and the remaining four are scheduled for review during fiscal year 2016.

Our anticipated completion date is June 30, 2016.

Finding 2014-047: **Department of Education**
Strengthen Controls for State Per Pupil Expenditure Calculations
Title I, Part A (84.010)
Reporting
Significant Deficiency, Noncompliance

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

Status: Corrective action was taken.

Finding 2014-048: **Department of Education**
Ensure Subrecipient Monitoring Includes Federal Fiscal
Requirements
Special Education Cluster (IDEA)(84.027, 84.173)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Department management expand its monitoring processes to include subrecipients' accounting and internal control systems and federal fiscal requirements of the awards.

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

ODE communicated to the Office of Special Education Programs our progress on subrecipient monitoring as well as the calculation of the Maintenance of Effort for districts. A transition in fiscal staff delayed the updating of our procedures for fiscal subrecipient monitoring to include a review of accounting and internal control systems, and federal fiscal requirements of the awards. We anticipate completion of our procedures in September 2015.

Finding 2014-049: **Department of Education**
Improve Procedures for Subaward Reporting Under the Federal
Funding Accountability and Transparency Act
Special Education Cluster (IDEA)(84.027, 84.173)
Reporting
Significant Deficiency

Recommendation: Department management strengthen existing controls to ensure FFATA reports are independently reviewed prior to submission to the federal government.

Status: Corrective action was taken.

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Finding 2014-050: **Oregon Employment Department**
Inaccurate Performance Data Reporting (TAPR)
Unemployment Insurance (17.225)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management update the query to ensure it accurately extracts wages for the quarterly report.

Status: Corrective action was taken.

Finding 2014-051: **Higher Education Coordinating Commission**
FFATA Reporting Not Done
Workforce Investment Act Cluster (17.258, 17.259, 17.278)
Reporting
Significant Deficiency, Noncompliance

Recommendation: The Organization should establish additional internal controls to ensure that FFATA reporting is completed.

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

The Office of Community Colleges & Workforce Development has begun to enter the grant information for the WIA Cluster Grants in the FFATA system. Instructions have been completed on how to report the necessary information and an additional line for FFATA reporting has been added to the Notice of Funds Availability (NFA) checklist. We expect to have this finding resolved by December 31, 2015.

Finding 2014-052: **Department of Forestry**
Improve Determination of FEMA Eligible Costs
Fire Management Assistance Grant Program (97.046)
Activities Allowed or Unallowed
Significant Deficiency, Noncompliance
Questioned Costs: \$1,518

Recommendation: Department management improve their control processes to ensure they are effective to accurately determine FEMA eligible costs.

Status: Corrective action was taken.

Finding 2014-053: **Department of Forestry**
Improve Controls Over Procurement
Fire Management Assistance Grant Program (97.046)
Procurement, Suspension, and Debarment
Significant Deficiency

Recommendation: Department management develop and implement procedures to ensure the review for suspension and debarment is performed for all required procurements prior to seeking federal reimbursement for those costs. We also recommend management administer and account for contracts in a way that accommodates review to ensure compliance with federal requirements.

Status: Corrective action was taken.

Finding 2013-023: **Department of Human Services**
OR-Kids System Weaknesses
Foster Care Title IV-E (93.658)
Adoption Assistance (93.659)
Activities Allowed or Unallowed; Eligibility
Material Weakness, Material Noncompliance
\$13,010

Recommendation: Department management review user access to OR-Kids, ensure services are coded correctly in OR-Kids, review Adoption Assistance and Foster Care cases to verify eligibility is correct in OR-Kids, and ensure overpayment adjustments process correctly. We also recommend department management reimburse the federal agency for unallowable costs.

Status: Corrective action was taken.

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- Finding 2013-024: **Department of Human Services**
OR-Kids Refinancing Results in Duplicate Claims
Foster Care Title IV-E (93.658)*
Adoption Assistance (93.659)*
Temporary Assistance for Needy Families (93.558)
Medicaid Cluster (93.720, 93.777, 93.778)
Centers for Disease Control and Prevention Investigations and Technical Assistance (93.283)
Stephanie Tubbs Jones Child Welfare Services Program (93.645)
Promoting Safe and Stable Families (93.556)
Social Services Block Grant (93.667)
Chafee Foster Care Independence Program (93.674)
Activities Allowed or Unallowed
Material Weakness, Material Noncompliance*
\$23.4 million
- Recommendation: Department management identify and correct data conversion issues and repay the federal government for the duplicate claims.
- Status: Corrective action was taken.
- Finding 2013-025: **Department of Human Services**
Reimbursements Claimed Outside Period of Availability
Foster Care Title IV-E (93.658)
Adoption Assistance (93.659)
Period of Availability
Material Weakness, Material Noncompliance
- Recommendation: Department management make appropriate corrections and adjustments to the accounting records to prevent the department from requesting federal reimbursement for expenditures incurred outside the period of availability.
- Status: Partial corrective action was taken. The agency response is as follows:

The IV-E reports have been revised dating back to the September 30th, 2011 report and all adjustments were included in the June 30th, 2015 report. All SFMA entries were completed by September 30th, 2015.
- Finding 2013-026: **Department of Human Services**
CB-496 Report Not Supported
Foster Care Title IV-E (93.658)
Matching, Reporting
Significant Deficiency, Material Noncompliance
- Recommendation: Department management ensure CB-496 reports are complete, accurate, and adequately supported.

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

The IV-E reports have been revised dating back to the September 30th, 2011 report and all adjustments were included in the June 30th, 2015 report. All SFMA entries were completed by September 30th, 2015.

Finding 2013-027: **Department of Human Services**
Certification of Eligibility Not Supported
Foster Care Title IV-E (93.658)
Eligibility
Significant Deficiency, Noncompliance
\$5,100

Recommendation: Department management ensure all required documentation is completed, reviewed and maintained, and that certification dates in OR-Kids are supported by corroborating documentation. We also recommend department management reimburse the federal agency for costs paid to providers who were not certified at the time of payment.

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

The department corrected the eligibility in June 2015 and the inappropriate claims were adjusted on the CB-496 Quarter Ending June 30, 2015. The corrective action required a service desk ticket and a rebuild of the child's eligibility and caused a delay in the completion date. The department submitted the Program Improvement Plan to the Administration for Children and Families and it was approved on June 24, 2015. The department must submit quarterly updates and the final report must be submitted June 22, 2016.

Finding 2013-028: **Department of Human Services**
CB-496 Report Not Complete
Adoption Assistance (93.659)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management ensure CB-496 reports are complete, accurate, and adequately supported. We also recommend department management implement processes to ensure the numbers reported for the average number of children assisted are accurate.

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

The IV-E reports have been revised dating back to the September 30th, 2011 report and all adjustments were included in the June 30th, 2015 report. All SFMA entries were completed by September 30th, 2015.

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Finding 2013-029: **Department of Human Services**
Improve Documentation of Required Income and Benefit Verifications
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Material Weakness, Noncompliance

Recommendation: Department management ensure verification of income with IEVS screens is clearly documented in client case files when determining client eligibility.

Status: Corrective action was taken.

Finding 2013-030: **Department of Human Services**
Improve Compliance with Work Verification Plan
Temporary Assistance for Needy Families (93.558)
Special Tests and Provisions
Material Weakness, Noncompliance

Recommendation: Department management strengthen controls to ensure projected hours of participation appropriately reflect the client's employment status, reported activity participation reflects actual hours, and data entered into the automated data processing system is accurate and complete.

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

Work Verification Plan reviews (also known as the JOBS Audits) are currently conducted annually. A summary of audit results is shared statewide, most recently in March 2015 for the 2014 review summary. The department plans on continuing these audits and building in more opportunities for coaching and mentoring for branch leadership, staff and partners. This will allow for further guidance on the correct use of JOBS activity codes, correct use of attendance tracking documents (including treatment, education and job readiness hours), and accurate counting toward participation hours. The JOBS Activity Guidelines (JAG) will be used as the curriculum of this targeted effort. The JAG will be adjusted and updated to ensure compliance with the Work Verification Plan as needed. The next field audits will occur during the fall and winter of 2015 with the review summary available by the first quarter of calendar year 2016.

The 2014 JOBS Audit summary was shared with the TANF Training Unit at the April 2015 monthly TANF Integrity meeting, as well as the April 2015 line manager quarterly. Case management training was reviewed for accuracy and updated by June 30, 2015 to support the 2014 review findings.

The department has identified point persons for each district (most by branch level), known as the Work Verification Points, who disseminate participation information, share best practices and strategies to prevent errors, and provide policy responses in an efficient manner. This method allows the department to give consistent consultation statewide in a concise way. Branches are able to use the information as mini 'huddle' topics in a quick turnaround design. The department will start posting these 'huddle' topic emails to our internal website in May 2015.

The department will continue to pursue an electronic document storage system for TANF JOBS records.

Our internal Federal Data group identified two systems issues that contributed to the conflicting data in the findings. Both are being addressed by programmers and business analysts in conjunction with TANF Program. These fixes will be programmed and reflected for FY 2015 data.

The department has submitted a Work Verification Plan effective July 1, 2014 that addresses the usage of at least the first two consecutive weeks of verified attendance with instructions to enter the actual average and project out the same weekly average for up to six months.

Finding 2013-032: **Department of Human Services**
Improve Accuracy and Completeness of Performance Data Reports
Temporary Assistance for Needy Families (93.558)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management ensure complete and accurate client information is used to compile the quarterly data reports.

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

Action was taken on all categories identified in this finding including the duplicate case issue identified in the data submitted on the ACF-209 and the inclusion of TANF funded child welfare cases in the ACF-199. Programming changes to address the problem with reporting duplicate cases were made and the changes were incorporated with the data submitted for FY 2014 forward. Also, as of June 2015, Child Welfare cases are now being included in the TANF federal reports. This finding will remain open due to errors identified in the FY 2015 audit.

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Finding 2013-034: **Department of Human Services**
Questionable Interpretation of Federal Five-Year Time Limit
Temporary Assistance for Needy Families (93558)
Eligibility
Noncompliance

Recommendation: The department seek additional guidance from the federal government to ensure five-year time limit monthly exemptions are being appropriately applied in accordance with federal regulations.

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

On March 31, 2015 ACF issued a decision on this finding which directs the department to provide a methodology and timeline for utilizing the definition of "Indian Country" consistent with federal regulation. The department has been consulting with Oregon Tribes through the Department of Justice on a way to address their concerns. An initial plan, which includes methodology and timeframes, will be submitted to ACF by September 27, 2015.

Finding 2013-035: **Department of Human Services**
Provider Eligibility Documentation Not Maintained
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Material Weakness, Material Noncompliance
\$434,435

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

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

The department's Aging and People with Disabilities (APD) and Office of Developmental Disability Services (ODDS) Provider Relations Unit has taken steps to require the submission of provider enrollment agreements and other items necessary to ensure provider eligibility determination when processing new, reenrolling, and revalidating providers. There are exceptions for some specific providers where the provider eligibility documentation is maintained in the field and only a portion of the provider validation is completed by the Provider Relations Unit. For those specific providers with documentation maintained in the field, APD and ODDS management will remind local office managers of the necessity to retain the provider eligibility documentation within their provider files.

Finding 2013-037: **Oregon Health Authority**
MMIS Key Edits Should be Periodically Tested
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Material Weakness

Recommendation: Authority management develop a plan that identifies key MMIS edits and implement procedures to periodically test key system edits to ensure they are functioning as intended. We also recommend management review the claims that should have been rejected by the age and gender restriction panel edits to verify those claims are appropriate.

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

There was a change request to “fix” the age and gender restriction panel. Change request 19586, Restriction Panel: Age/Gender/Lifetime Edits. The primary/majority functionality, 31417-0, moved to Production on October 19, 2014. However, change request 31417-1, to address the institutional claims, is currently in Ready for Production and is waiting behind the ICD-10 ties that we have been reviewing. We expect this change request to be completed by December 31, 2015.

Finding 2013-038: **Department of Human Services**
Medicaid Payments Not Sufficiently Supported
Medicaid Cluster (93.777, 97.778)
Allowable Costs/Cost Principles; Eligibility
Significant Deficiency; Noncompliance
\$79

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

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

Through the avenue of agenda items at Aging and People with Disabilities (APD) Supervisors Quarterly Meetings, APD Program Managers meeting, articles in the newsletter, “In the Loop,” APD has worked to remind managers and staff of the policies and documentation required to support a client’s eligibility and forms that must be retained within the client files. APD is also working to implement scanned client files for field offices so that all documentation will be readily available. For the two clients where errors occurred in determining the client’s liability, one of the clients is in a nursing facility and another is deceased. Information was sent to the Estate Recovery Unit to determine if these questioned costs were eligible for estate recovery. The department will continue working within our programs to ensure these requirements are shared with staff and continued to be followed appropriately.

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Finding 2013-040: **Department of Human Services**
Nursing Facility Provider Health and Safety Standard Surveys Not Performed Timely
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Management develop a plan based on current resources to ensure the timely completion of provider health and safety standard surveys for nursing facilities.

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

Over the past four years we have implemented several continuous improvement activities that have resulted in efficiency gains to the survey process, in turn reducing the amount of time it takes to survey a provider. Those efficiencies have resulted in a 33% reduction in new surveyor training time. We have made efforts to minimize survey related travel and made a 10% reduction in report writing time. We have implemented an electronic document workflow process, streamlined our report review process to facilitate a faster turnaround time between surveys, and provided provider training on how they can prepare for the new QIS process. Additionally, since July 2013 we have hired a significant number of new surveyors. This has been offset by a number of retirements and staff resignations.

Over the coming two years, we will take a number of steps to bring the department into compliance. By February 2015, we plan to make job offers on all current surveyor vacancies. By September 30, 2015, all new surveyors will be trained, Surveyor Minimum Qualifications Test (SMQT) certified and QIS registered. During this time we will also assess the survey and training teams to optimize production, optimize survey and surveyor turnaround time, evaluate utilization of CMS approved survey contractor to help us complete surveys and evaluate our surveyor recruitment process to enable us to reach better and more qualified applicants. We have also begun bringing retired and resigned surveyors back on a temporary basis to perform surveys.

Our goal is to achieve compliance, and to have no facility with a survey interval over 12.9 months (which is well below the required 15.9 months). We estimate this will be achieved in early 2016.

Finding 2013-041: **Oregon Health Authority**
Required Provider Screening Not Documented
Medicaid Cluster (93.777, 93.778)
Eligibility; Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Authority management maintain evidence of the initial and renewing database checks for enrolled providers.

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

The permanent MMIS solution, which consists of a new panel in the provider subsystem where enrollment staff “checks” a separate box for each required database went into production in the MMIS in August 2014. These checking actions are both date stamped and recorded for audit purposes. All enrollments and revalidations that occurred after the August 2014 date now have the permanent evidence of being reviewed. We have targeted the revalidation process for completion by December 31, 2016.

Finding 2013-042: **Oregon Health Authority**
ADP Risk Analyses and System Security Review Procedures Need Strengthening
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

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

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

The Information Security and Privacy Office (ISPO) is currently in the process of performing a Risk Assessment (RA) on the MMIS System. The first part of this assessment was completed in March 2015. ISPO is also on track to perform vulnerability assessments on MMIS in the summer of 2015. We anticipate that a number of subsystems that “feed” into or use output from MMIS may also be candidates for evaluation. This is dependent on ensuring that the evaluations will not disrupt the transition from Cover Oregon (CO) Health Insurance Exchange or the contingency support efforts for CO during the Magi/Medicaid and Qualified Health Plan Transition project. We anticipate that evaluation of those systems will occur in during the 3rd and 4th quarter of 2015. ISPO’s RA program is in the operational pilot stage. Staff have undergone formal training by ISACA and have successfully conducted two pilot assessments to fine tune

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the tool selection and processes. The overarching policy has been approved as part of a revised security policy set.

Finding 2013-046: **Oregon Housing and Community Services Department**
Review of Subrecipient Costs for Allowability Should be Improved
Low-Income Home Energy Assistance (93.568)
Activities Allowed or Unallowed; Subrecipient Monitoring
Material Weakness, Noncompliance

Recommendation: OHCS management implement internal controls for subrecipient monitoring to ensure federal reimbursements are for allowable program activities.

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

The partial corrective action taken involves a new process that requires subrecipients to submit a general ledger or other form of accounting record at the time of requesting funds. This documentation will specify the period in which the expenditure occurred, provide general categories to check for allowability, and identify whether the request is a reimbursement or advance. The documentation will subsequently be tested as part of an expanded scope of items being monitored to ensure supporting documentation exists to substantiate the allowability and timing of the expense.

Finding 2013-047: **Oregon Housing and Community Services Department**
Strengthen Controls Over Cash Management
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Cash Management
Material Weakness

Recommendation: OHCS management strengthen its controls to ensure RFFs are for allowable costs already paid for by the subrecipient, advances are made only to meet immediate cash needs, and advances are expended soon after advanced.

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

The partial corrective action taken involves an expanded review of all requests for funds by the grants specialist to ensure subrecipients properly classify funding requests as a reimbursement or an advance. This review is accomplished through a new process that requires subrecipients to submit a general ledger or other form of accounting record at the time of requesting funds that details the timeframe in which the expenditure occurred. The documentation will subsequently be tested as part of an expanded scope of items being monitored during the

subrecipient monitoring visit for appropriateness, allowability, and immediacy of need.

Finding 2013-048: **Oregon Housing and Community Services Department**
Improve Controls Over Subrecipient Cost Allocation Plans
Low-Income Home Energy Assistance (93.568)
Community Services Block Grant (93.569)
Allowable Costs/Cost Principles; Subrecipient Monitoring
Material Weakness

Recommendation: OHCS management develop procedures and provide training to staff to ensure the cost allocation plans of its subrecipients are sufficiently reviewed to determine whether the cost allocation plans provide for an equitable allocation of allowable costs to federal programs.

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

The partial corrective action taken involves clarification, procedures, and training to the fiscal monitor in order to examine and test application of the subrecipient cost allocation plan or indirect rate. The updated procedure provides assurance that costs are equitably distributed in accordance with the agencies approved cost allocation plan. Allocations will be tested by the fiscal monitor during the subrecipient monitoring visit to ensure adequate documentation exists to substantiate reasonableness and the appropriate application of the allocation basis.

Finding 2013-050: **Department of Justice**
Strengthen Controls Over Reporting
Child Support Enforcement (93.563)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management strengthen controls to ensure that the reported amounts are complete, accurate, and agree to accounting records. We also recommend management review the reports submitted for fiscal year 2013 and submit corrections to the federal awarding agency if necessary.

Status: Corrective action was taken.

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Finding 2013-052: **Department of Human Services**
Controls Over EBT Card Security Were Not Followed
Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551,
10.561)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Department management ensure branch offices are aware of and follow the established procedures for securing EBT cards.

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

Financial training for managers was provided on December 23, 2014, February 11, 2015, February 12, 2015 and has been converted to a webinar and was posted in the Learning Center on May 19, 2015. This finding will remain open due to errors identified in the FY 2015 audit.

SUMMARIES OF SIGNIFICANT AUDIT REPORTS ISSUED BY THE OREGON SECRETARY OF STATE AUDITS DIVISION

REPORT TITLE AND NUMBER: **State Data Center: First steps to address longstanding security risks, much more to do; Report No. 2015-020**

REPORT DATE: August 2015

RESULTS IN BRIEF: **Critical security issues were never resolved at the data center**

Data center management and staff are meeting day-to-day computing needs of state agencies relying on its services. However, critical security issues identified throughout the past nine years were never resolved.

Security problems affect multiple components of the data center's layered defense strategy intended to make it more difficult for unauthorized users to compromise computer systems.

These weaknesses increase the risk that computer systems and data could be compromised, resulting in leaked confidential data such as Social Security numbers and medical records information.

Data center was never fully configured for security

Management got a good start on security planning, but during data center consolidation management abandoned the plan, thinking they would complete some steps at a future time. Once the data center became operational, staff was overburdened and unable to make meaningful progress to resolve critical security issues or implement security systems they purchased.

These adverse conditions continued because management did not assign overall responsibility or authority to plan, design, and manage security. In addition, they did not provide the necessary staffing to implement and operate security systems.

First steps have been taken to resolve longstanding data center problems

The Governor, Legislature and Director of the Department of Administrative Services took steps in the last six months to address data center staffing and organizational issues.

Two key steps that occurred were the state Chief Information Officer (CIO) became responsible for data center operations and the state Chief Information Security Officer was moved to the data center and tasked to oversee its overall security function.

These actions increased management's focus on security at the data center. However, it will take additional time, perseverance, significant resources, and cooperation to resolve all known weaknesses.

Some computer operations were stable but disaster recovery was only partially tested

Apart from security, data center staff provides important operational support to agencies, including routine backups and monitoring computer processing. Data center staff made significant strides to resolve prior disaster recovery weaknesses identified by earlier audits. Their innovative approach was to partner with the Montana State Data Center to establish an alternate site to store and process data. However, additional work needs to be done to ensure data at that site is secure, update recovery plans, and test the system.

REPORT TITLE AND NUMBER: **Oregon Employment Department: Computer Programs for Unemployment Tax Returns and Claims Need Attention; Report No. 2015-031**

REPORT DATE: December 2015

RESULTS IN BRIEF: **Computer programs correctly handle most unemployment benefit claims and tax statements, but should be replaced**
Oregon Employment Department (Employment) computer systems handle routine unemployment claims accurately. Systems also process most employer quarterly unemployment tax returns appropriately. However, due to system limitations, Employment staff must identify and manually correct some unemployment claim errors. In addition, some unemployment tax returns bypass automated routines that provide needed scrutiny to detect and correct errors.

These computer programs are inflexible, poorly documented, and difficult to maintain. Considering these factors, Employment should take steps to replace them with more robust and maintainable computer code.

Computer security problems increase risk that data could be compromised

Coordinated use of multiple security components is necessary to protect the integrity of computer systems and their data. Although Employment management and the state's data center have done much to protect Employment's computer systems, improvements are needed.

Areas of most concern include ensuring users have the appropriate level of access to computer programs, monitoring actions of users having the most powerful access to systems, and addressing state data center security weaknesses we identified in previous audits.

Processes to better control changes to computer code are needed

Our 2003 and 2012 audits noted problems managing programming changes to these systems. These conditions remain largely unchanged, and increase the risk that programmers could introduce unauthorized or untested changes to the system.

Although these weaknesses are long-standing, Employment managers and staff recently began work to resolve them. They currently have a project to acquire a software solution that could significantly enhance their ability to address many of the identified problems.

Disaster recovery capability is greatly improved, but Employment should ensure plans and processes are complete

Responsibility for recovering the use of computer systems in the event of a disaster is shared with the state data center where these computer systems are hosted. In 2014, the data center entered into an agreement with the state of Montana to place copies of Oregon's computer systems and data inside Montana's data center.

This innovative approach to disaster recovery significantly improves Employment's ability to resume operations in the event of a disaster but additional work is needed to ensure these systems and data are secure and can be made fully operational when needed.

ABOUT THE SECRETARY OF STATE AUDITS DIVISION

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

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

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

Auditing to Protect the Public Interest and Improve Oregon Government

