

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 a team of 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 at the bottom.

Statewide Single Audit Report

State of Oregon

For Fiscal Year Ended June 30,

2016

Secretary of State
Dennis Richardson

Audits Division, Interim Director
Mary Wenger

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

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The Honorable Kate Brown
Governor of Oregon

We have conducted a statewide audit in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United State; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This report encompasses the year ended June 30, 2016, and is required for the State to continue receiving federal financial assistance, which, as shown in this report, totals approximately \$11.5 billion.

As required by the Single Audit Act, we issued a report dated December 22, 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, 2016.

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

- *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with laws, regulations, contracts and grant agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.
- *Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.* This component contains our report on the State of Oregon's compliance with the requirements applicable to each of its major federal programs as described in the OMB Compliance Supplement and internal controls over compliance. Part of the schedule of findings and questioned costs relates to this report. This component also contains our report on the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2016.
- *Schedule of Findings and Questioned Costs.* This schedule lists 16 current year audit findings regarding internal control related to financial reporting. It also lists 23 current year audit findings regarding compliance with the requirements of major federal programs and related internal controls.

Uniform Guidance requires management to provide a plan of corrective action on the findings and recommendations for the fiscal year ended June 30, 2016. Management's response and planned corrective actions are included in this schedule. We did not audit management's response, and accordingly, we express no opinion on it.

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

- *Schedule of Expenditures of Federal Awards.* This schedule is not a required part of the State of Oregon's financial statements, but is required by Uniform Guidance. The schedule shows the State of Oregon's expenditures of federal awards, for the fiscal year ended June 30, 2016, excluding the University of Oregon, Oregon State University, Portland State University, Western Oregon University, Southern Oregon University, Eastern Oregon University, Oregon Institute of Technology, 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 basis of presentation used in preparing the schedule, the reporting entity, the value of federal awards expended in the form of non-cash assistance, unemployment insurance and the calculation of expenditures for the Revolving Loan Fund (RLF, CFDA 11.307).
- *Schedule of Prior Year Findings.* This schedule lists the current status of prior year findings that remained uncorrected at the end of fiscal year 2015.

We concluded that the state's financial statements, as corrected, are fairly presented in conformance with Generally Accepted Accounting Principles, resulting in an unqualified opinion. We issued qualified opinions on two federal programs, and unqualified opinions on all other major federal programs. The courtesies and cooperation extended by officials and employees of the State of Oregon during the course of this audit were commendable and sincerely appreciated.

Office of the Secretary of State, Audits Division

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORTS:	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS:	
Summary of Auditor’s Results.....	7
Financial Statement Findings	9
Federal Awards Findings and Questioned Costs	27
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:	
Schedule of Expenditures of Federal Awards	57
Notes to the Schedule of Expenditures of Federal Awards.....	81
SCHEDULE OF PRIOR YEAR FINDINGS:	
Prior Year Financial Statement Findings	83
Prior Year Federal Award Findings and Questioned Costs.....	87
Appendix A: Summaries of Significant Audit Reports	
Issued by the Oregon Secretary of State Audits Division	117

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

The Honorable Kate Brown
Governor of Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements, and have issued our report thereon dated December 22, 2016.

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

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

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

schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Items 2016-005, 2016-006, 2016-012, and 2016-013.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. Items 2016-001 through 2016-004, 2016-007 through 2016-011, and 2016-014 through 2016-016.

Compliance and Other Matters

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

The State of Oregon's Response to Findings

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

Purpose of this Report

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

Office of the Secretary of State, Audits Division

State of Oregon
December 22, 2016

Office of the Secretary of State

Dennis Richardson
Secretary of State

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

The Honorable Kate Brown
Governor of Oregon

Report on Compliance for Each Major Federal Program

We have audited the State of Oregon’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Oregon’s major federal programs for the year ended June 30, 2016. The State of Oregon’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The State of Oregon’s basic financial statements include the operations of the universities in the table below, which expended approximately \$1,364 million in federal awards, which are not included in the State of Oregon’s schedule of expenditures of federal awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of the universities because the component units engaged other auditors to perform an audit of compliance. To obtain a copy of those reports, please refer to note disclosure 2 of the schedule of expenditures of federal awards.

<u>Component Unit</u>	<u>Federal Expenditures</u>
Oregon State University	\$ 390 million
Oregon Health and Science University	\$ 326 million
University of Oregon	\$ 272 million
Portland State University	\$ 227 million
Western Oregon University	\$ 54 million
Southern Oregon University	\$ 44 million
Eastern Oregon University	\$ 26 million
Oregon Institute of Technology	\$ 25 million

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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance

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

We believe that our audit provides a reasonable basis for our 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 and Child Care and Development Fund Cluster

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

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-017	93.658	Foster Care Title IV-E	Allowable Costs/Cost Principles
2016-018	93.658	Foster Care Title IV-E	Allowable Costs/Cost Principles
2016-019	93.658	Foster Care Title IV-E	Eligibility
2016-022	93.575	Child Care and Development Fund	Eligibility and
	93.596	Cluster	Allowable Costs/Cost Principles
2016-023	93.575	Child Care and Development Fund	Subrecipient Monitoring
	93.596	Cluster	

Qualified Opinion on Foster Care Title IV-E and Child Care and Development Fund Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Foster Care Title IV-E and Child Care Development Fund Cluster for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-024 through 2016-026, 2016-028, 2016-029, 2016-031, 2016-032 and 2016-035 through 2016-038. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-017 through 2016-019, 2016-022, 2016-024, and 2016-035 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-020, 2016-021, 2016-023, 2016-025 through 2016-034, and 2016-036 through 2016-039 to be significant deficiencies.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial

statements. We issued our report thereon dated December 22, 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of 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, 2017, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 22, 2016

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

yes no

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

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

yes no

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

yes none reported

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

Qualified:
Foster Care - Title IV-E, Child Care and Development Fund (CCDF) Cluster

Unmodified:
All Other Major Programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of Major Programs

CFDA#	Name of Federal Program or Cluster
11.438	Pacific Coast Salmon Recovery/Pacific Salmon Treaty Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
64.015	Veterans State Nursing Home Care
93.268	Immunization Cooperative Agreements
93.568	Low-Income Home Energy Assistance
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance
93.658	Foster Care Title IV-E
93.659	Adoption Assistance Title IV-E
cluster	Forest Services Schools and Roads Cluster
cluster	Highway Planning and Construction Cluster
cluster	Child Care and Development Fund (CCDF) Cluster
cluster	Medicaid Cluster

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

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

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

Management is responsible for establishing and maintaining internal controls to ensure revenue is properly classified in the accounting system. Due to budget restrictions in prior years, rebates and recoveries revenue was originally recorded as other revenue and then reclassified at year-end to the appropriate account. In fiscal year 2016, the budgetary restriction was removed allowing management to appropriately classify rebates and recoveries revenue during the year and eliminating the need for the year-end reclassification adjustment. To do this, management needed to update the coding to point these transactions to rebates and recoveries, instead of other revenue.

In our review of rebates and recoveries, we found that management reclassified most, but not all sources of revenue that were more appropriately classified as rebates and recoveries, resulting in \$39 million incorrectly recorded as other revenue.

We recommend management review the coding that points transactions to rebates and recoveries and other revenues to ensure proper classification of these transactions.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

The agency will update its year-end close procedure to include a review of Other Revenue account transactions and move any revenue that may be more appropriately categorized in another Revenue account classification.

Anticipated Completion Date: August 31, 2017

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

Accounting standards require revenues be reported net of estimated uncollectible amounts. Accordingly, receivables should be recorded at the gross amount and offset with the estimated allowance for uncollectible accounts. Revenues should be accrued if they are available to finance current period expenditures. For the state, the current availability period is 90 days after the fiscal year end.

The Oregon Health Authority (authority) receives rebate revenues for prescription drugs purchased for clients. In addition to accruing a receivable for the drug rebates, the authority estimates an allowance for the amount they anticipate will not be collectible. In our review we found the authority collected more revenues than they had recorded as current receivables; therefore, none of the current receivables were uncollectible and an allowance should not have

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

been accrued. As a result, revenues were understated and the current allowance overstated by \$34 million.

We recommend authority management strengthen its methodology to ensure a more accurate estimate of the collectability of drug rebates for the current period.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

The agency is working with the Drug Rebate contractor to ask them to produce a more accurate report for the allowance for doubtful accounts. This data will allow us to have a more accurate estimate for financial reporting.

Anticipated Completion Date: August 31, 2017

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

Governmental funds such as the Health and Social Services (HSS) fund should recognize revenues and expenditures and their related receivables and liabilities using the modified accrual basis of accounting. When actual amounts cannot be determined, an estimate should be used to determine the amount to accrue. Revenues should be accrued if they are available to finance current period expenditures. For the state, the availability period is 90 days from fiscal year-end. Likewise, governmental fund expenditures should also be accrued to the extent they are normally expected to be liquidated with available financial resources.

We reviewed the reasonableness of significant revenue and expenditure accruals by comparing the estimated accruals to the actual amounts of revenues and expenditures recorded in the HSS fund within 90 days following fiscal year-end (accrual period). Our review considers a range of amounts appropriate for comparing to an estimation. Our review showed the following:

- The methodology used to accrue services and supplies expenditures should produce a reasonable estimate; however, the methodology was not appropriately applied, resulting in an overstatement of \$28.2 million.
- A year-end accrual for Stabilization and Crisis Unit expenditures erroneously duplicated expenditures and payables that were already recorded on a separate accrual, resulting in an overstatement of \$11.6 million.
- A year-end accrual to adjust unreconciled deposits erroneously duplicated revenues and receivables that were already recorded on a separate accrual, resulting in an overstatement of \$21.4 million.

We recommend department management ensure the proper application of established accrual methodologies and that accrual efforts are not resulting in duplicate expenditures or revenues.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

The agency will update its year-end close procedures to include additional review and more thorough verification of check figures. This documentation will be updated to aid in avoiding the duplication of estimate accrual amounts.

Anticipated Completion Date: August 31, 2017

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

The Department of Human Services (department) established an internal service fund in fiscal year 2013 to report activities that provide goods and services to other funds within the state, primarily through the Public Employees Benefit Board. In fiscal year 2016, the department used the internal service fund to report activities related to the Waivered Case Management program (program), which provides services to Medicaid clients.

The federal awarding agency funding the program required the department to submit for reimbursement on a fee-for-service basis (FFS). However, the federal awarding agency also required the department to track actual program expenditures to ensure the department is fully reimbursed for costs incurred as a result of the program. In order to track actual program activity separately from FFS activity, the department recorded the actual program activity in the internal service fund. This program activity does not qualify to be reported in the fund because it does not provide services to other funds within the state. This resulted in the internal service fund revenues and expenditures being overstated by approximately \$12.9 million.

We recommend department management establish controls to ensure program activity is eliminated from the internal service fund for financial reporting purposes.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

The agency will update its year-end close procedures to ensure that program activities are eliminated from the internal service fund for financial reporting purpose. The agency has requested a unique D23 fund that will isolate all activities and aid in ensuring these amounts are eliminated. The agency will also have conversation with DAS Statewide Accounting and Reporting on better ways to track and report this activity.

Anticipated Completion Date: June 30, 2017

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

The Oregon Growth Account (OGA), which is within the Education Stability Fund (Stability Fund), receives about \$10 million each year in lottery proceeds. These monies are invested in accordance with legislative intent and the investments are governed by the Oregon Growth Board (Board) whose overall purpose for the account is to maintain, invest, and reinvest monies for the purpose of earning returns for the Stability Fund. As of January 2014, the Oregon Business Development Department (department) became responsible for providing staff resources necessary to allow the Board to carry out its responsibilities.

To earn returns for the Stability Fund the Board makes investments in professionally managed funds that in turn invest in private, emerging growth businesses to further economic development in Oregon. These types of investments are often referred to as alternative investments as they are not traditional investments. They are often managed as limited partnerships, with general partners running the funds and receiving management fees as well as a percentage of any gains. Alternative investments are usually considered to be illiquid, high risk, and do not have a readily determinable value.

Based on our fiscal year 2016 audit, the department should improve its accounting and financial reporting processes related to OGA investments. Specifically, the department should (1) evaluate and implement processes related to valuation and (2) correct and improve investment cost coding errors in the accounting system.

Valuation

Beginning with fiscal year 2016, government accounting standards required that OGA's investments be reported at fair value instead of at cost. This necessitated a change by the department in its processes. The department is responsible for monitoring the existence and valuation of its alternative investments. This includes due diligence performed before the investment, ongoing monitoring, and financial reporting controls relating to the accounting for, valuation, and the reporting of the investments. While management may look to the investment fund manager for the mechanics of the valuation, management should have sufficient information to evaluate the appropriateness of the investment's valuation.

The department relies on an investment consulting company to perform its due diligence and to monitor the performance of the investments and provide quarterly reports to the Board. As it relates to valuation, the consultant receives audited and unaudited reports from the investment partners and compiles the information. However, no review related to the accuracy of the valuation was required of the contract. Thus, no review related to valuation was performed by the department. We could not obtain sufficient assurance related to the valuation of \$21 million of investments as of June 30, 2016, as audited financial statements either were not available or were on a cost basis (e.g. tax basis).

Additionally, we identified that the consultant's June 30, 2016 report did not include \$1.8 million of distributions the department made towards the end of the fiscal year to two new investment funds. As a result, no valuation was reported or reviewed for these investments.

Accounting Errors

Although the department assumed responsibility for providing resources to the Board in 2014, the department still relies on the Department of Administrative Services to record all investment transactions of the Stability Fund. During our audit, we identified the following accounting errors related to investments:

- Management fees are part of the original capital commitment (investment) and distributed to the investment funds. These fees are not consistently recorded as part of the cost of the investment, but were sometimes recorded as a reduction to investment income, depending on if the investment fund separately identified the management fees.
- For exited investments for which no returns are expected, the department should ensure the cost of these investments is removed from the accounting records and the appropriate gain/loss is recognized.
- For two investment funds with a value at June 30, 2016, the cost of the investments in the accounting records had been reduced to below a \$0 balance as some distributions were recorded as a return of capital instead of as investment income. The current coding in the accounting records does not allow the department to review each investment fund separately without a detailed review of transactions.

Because the department does not prepare or review the accounting entries made by the Department of Administrative Services, the department was not aware of the above errors.

We recommend department management

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We generally agree with the recommendation

OBDD began providing staffing and management for the Oregon Growth Account (OGA) in 2014, after the Treasury Department had managed the Account, starting with its creation in 1997. The OGA makes investments in illiquid alternative investments vehicles by design, to comply with statute with the primary goal of earning returns for the Education Stability Fund. This investment vehicle has leveraged significant private capital for Oregon businesses. It wasn't until fiscal year

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

2016 that changes in Governmental Accounting Standards Board (GASB) rules required the investment portfolio to be valued at fair market value instead of the prior cost valuation.

GASB, even in light of the change, still does not require that the investment funds have third-party audit valuation; however, we are concurring that the department and the Oregon Growth Board specifically need to be able to provide assurance regarding the valuation of the portfolio. Several of the investments made since the OGA's inception have an annual audit review; however, they do not receive an official third-party audit. This accounts for the \$21M of investments (out of approximately \$144M committed) that do not have annual third party audits of valuations.

The consulting firm retained by the Oregon Growth Board works quarterly with the OBDD Finance team to compare valuations to distributions and receipts of capital. Sometimes the reporting by the consulting team lags a month or two behind the accounting for the distributions or receipt of capital, as those reports are prepared for board meetings which periodically happen after the close of a quarter.

OBDD is proposing the following change to current process to comply with new requirements:

OBDD has begun developing and will implement a process to review existing investment partnerships' valuations for financial reporting purposes on a quarterly basis, and will document that review in a timely manner. The Finance Team will lead this effort in collaboration with Capital Strategist and Director of the Oregon Growth Board.

OBDD has begun work with the Oregon Growth Board to develop a policy regarding third-party audits of fair market valuations for investment partners and request the board formally implements a policy related in the current fiscal year.

OBDD continues to take on more of the accounting functions for the Oregon Growth Account from DAS and the Treasury Department.

OBDD's Finance Team will review all accounting records currently managed by DAS and Treasury to ensure the records are consistently and accurately recorded. OBDD will also work to audit existing accounting entries and correct any existing errors in investment cost. This will be a lengthy process as there are many accounting entries to review and assess for accuracy. OBDD will put into place policies and procedures related to consistent practices of accounting for investments' management fees, exited investments, and coding will be standardized.

OBDD is currently in the beginning stages of organizing a transfer of all accounting and financial management duties. Ultimately, OBDD will assume responsibility for all accounting associated with the Oregon Growth Account from the Department of Administrative Services as well as the Treasury Department, but the transfer will likely not be completed until next year.

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

Department management must ensure proper accounting and reporting of revenues and receivables. To achieve this, department management is responsible for establishing, maintaining and improving agency internal controls, which must be adequate to provide reasonable assurance that transactions are accurate and properly recorded.

Each year, as part of the state's annual financial reporting, the Department of Revenue (department) prepares accruals for taxes receivable and accounts payable to ensure financial reporting is in accordance with generally accepted accounting principles. The accrual estimates involve many separate calculations and are based on several sources of data.

Department staff that performed the taxes receivable and accounts payable accrual estimates made several errors in completing the accrual calculations, including inadvertently using incomplete data, using data for the wrong time period, and applying incorrect percentages in certain calculations. Further, the errors were not detected during the department's review process. Department staff assigned to complete the accruals and perform the review were inexperienced with the process. Additionally, policies and procedures for the accrual calculations had not been updated to reflect changes to the process, including how reports from the department's recently implemented financial system should be used.

As a result of the errors, the net General Fund current taxes receivable account was materially overstated by approximately \$179 million; noncurrent taxes receivable was understated by approximately \$26 million; and accounts payable was understated by approximately \$550,000. In addition, as a result of the calculation errors, the personal income taxes revenue account was materially overstated by approximately \$196 million and the corporate excise and income taxes account was understated by approximately \$16 million. The current taxes receivable and personal income taxes accounts required adjustments before we determined them to be fairly stated in accordance with generally accepted accounting principles.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The department agrees with the recommendation.

Finance is developing procedures and peer review processes to maintain quality control assurances over calculations. Staff will receive additional training during GenTax rollout 4 in the fall of 2017 and by the Department of Administrative Services Statewide Accounting and Report Services team.

Anticipated Completion Date: Fall 2017

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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

During fiscal year 2016, 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 programs. Much of the cash received is processed through the Revenue Suspense Account at the Oregon State Treasury before being transferred to the General Fund or other funds, as appropriate. State policy recommends departments reconcile cash accounts regularly and provide adequate review and approval of the reconciliations. Cash reconciliations are an important internal control to provide assurance that actual assets agree to recorded amounts.

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

All fiscal year 2016 monthly reconciliations of the department's subsidiary systems to the Revenue Suspense Account at the Oregon State Treasury were completed timely; however, 8 of the 12 reconciliations were not separately reviewed and approved. Additionally, all fiscal year 2016 monthly reconciliations of the department's subsidiary systems to the state's accounting system were completed, but 4 of 12 monthly reconciliations were not completed timely, and none of the monthly reconciliations were separately reviewed and approved during the fiscal year. Department management indicated that staffing shortages contributed to some reconciliations not being completed timely and separately reviewed and approved. By not consistently performing reconciliations timely and separately reviewing them, 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 state accounting system and that all cash reconciliations are separately reviewed and approved.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The department agrees with the recommendation.

An additional resource will be added to the Finance team in February 2017 to specifically focus on reconciliations to the state accounting system and cash accounts. An accounting manager was hired in December 2016 and will be charged with conducting a review of all reconciliations performed. Finance estimates that all reconciliations will be up-to-date and reviewed by September 2017.

Anticipated Completion Date: September 2017

2016-008 Department of Revenue

Improve Monitoring Controls to Ensure Revenues are Recorded to the Proper Period
Significant Deficiency

Department management is responsible for ensuring the proper accounting and reporting of revenues in accordance with generally accepted accounting principles. Revenues are to be recognized when they are both measurable and available.

During our audit procedures to reconcile cigarette taxes revenue recorded in the department's subsidiary system to the revenue reported in the state's accounting system, we noted approximately \$16.6 million of fiscal year 2016 revenue had mistakenly been recorded in the state's accounting system for fiscal year 2017. Documentation we received from the department showed additional revenues totaling approximately \$138.3 million had also been recorded in the wrong fiscal period. The errors were found in time to allow the department to make correcting entries to prevent material misstatements from occurring to the financial statements. However, the department's monitoring controls did not detect the errors.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The department agrees with the recommendation.

Implementing the peer review process will ensure the accuracy of accounting transactions. Peer reviews began in January 2017 for all transactions associated with distributions and accounts payable. Peer reviews for reconciliations will be February 2017.

Anticipated Completion Date: February 2017

2016-009 Department of Revenue

Controls over System Access Need Strengthening
Significant Deficiency

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

Department policy requires that when an employee leaves the department, the employee's manager is to immediately submit a request to revoke all access. The policy also states when staff transfer positions within the department, the employee's new manager is to submit a request to both terminate the prior role access and request access to the new role. Additionally, department management is required to perform an annual review of higher risk access levels to ensure access remains appropriate.

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Department management did not ensure all access rights were reviewed regularly and system access rights timely terminated or updated. As a result, our review of employee access to the department's subsidiary systems identified six instances when system access was not revoked timely for terminated employees or was not updated timely for employees assigned to different roles and responsibilities within the department. Additionally, while the department has a process for authorizing access to the department's new tax accounting system for each phase of the system implementation, the process for managing access for on-going operations has not yet been established.

Strong access controls decrease the risk of unauthorized or unintentional use or modification of the system, which could result in inappropriate tax transactions.

We recommend department management ensure employee system access be reviewed regularly and promptly revoked upon termination or updated upon transfer of employee responsibilities within the agency.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The department agrees with the recommendation.

In January 2017 the department's Information Technology Systems Security Office began a review of the Request for Computer Access process. Concluding the review the department will define a process and develop procedures to ensure timely revocation of employee system access. The review is anticipated to be completed by June 2017, which will provide recommendations about how to move forward and presented to the Revenue Leadership Team. (RLT). RLT will decide on best approach. In the interim, HR will be putting a step on the Employee Lifecycle process on Rocket a reminder to terminate accesses when an employee leaves. That should be completed by the end of February of 2017.

Anticipated Completion Date: February 2017

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

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

For the Veterans' State Nursing Home program (CFDA 64.015), the department correctly billed the U.S. Department of Veterans' Affairs \$16 million for the program. The department, however, did not correctly classify \$3.5 million (21 percent) of the expenditures as federal expenditures in its accounting records. As a result, the SEFA for the program was understated.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

Management will modify the department's process related to reporting of federal grant expenditures. Upon clarification of an interpretation of OMB Uniform Guidance, federal expenditures will be recognized when the underlying activity (i.e. revenue accrual) related to the expenditure occurred. Procedures will be developed to review federal revenues and expenditures at fiscal year-end and ensure that applicable journal entries are recorded.

Anticipated Completion Date: June 30, 2017

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

Department management is responsible for ensuring internal controls are adequate to provide reasonable assurance that transactions are accurate and properly recorded. An adequately designed system of internal controls includes periodic monitoring of controls by management to ensure they are implemented and functioning as intended.

During testing of cash and multiple revenue accounts, we identified the following weaknesses in internal controls:

- Incoming checks are not restrictively endorsed or logged upon receipt.
- Federal revenue draws are not reviewed to ensure requests for reimbursement are properly supported by expenditures.
- Revenue from Licenses and Fees and Charges for Services is entered and maintained in databases that lack built-in application controls that would prevent users from modifying data once transactions have been reviewed. These revenues are automatically interfaced into the state's accounting system but no reconciliation is performed to ensure information in the system agrees to the original source documentation.
- The department's accrual methodology for estimating Charges for Services revenue is incomplete as it does not include all activity related to the fiscal year. For 2016, the methodology produced an estimate that understated both revenue and related current receivables by \$651,714 and understated non-current receivables by \$906,923.

Due to the weaknesses in controls noted above, department management lacks assurance that all checks received are deposited. Management lacks assurance that the integrity of certain revenue transactions are maintained from the original source document to the revenue recorded in the state's accounting system. Current processes are not adequately designed to ensure recorded revenue is accurate, and some procedures have changed without management approval due to the department not having a formal accounting manager in place during fiscal year 2016.

We recommend department management strengthen its monitoring of internal control procedures to ensure revenue transactions and receivables are accurate and properly recorded

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

in accordance with generally accepted accounting principles, and ensure proper safeguarding of cash receipts.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We concur with this finding.

Historically, when mail was opened staff immediately stamped checks as "for deposit only" (restrictively endorsed). The checks were then hand-delivered to Wells Fargo bank. Upon initiation of electronic deposits, checks continued to be restrictively endorsed with the Well Fargo endorsement but were electronically scanned to a U.S. Bank account, the State's approved vendor for electronic deposit. Upon notice from Treasury to stop the incorrect practice, DEQ stopped restrictively endorsing checks until it could obtain the US Bank restrictive endorsement stamp. Once DEQ received the new endorsement, we began restrictively endorsing checks at the time of mail opening.

It is important to note that before the new endorsement, the checks DEQ received were still restrictively endorsed; they were restrictively endorsed as they were processed through the scanner for electronic deposit. However, per Oregon Accounting Manual Number 10-20-00.PR .116, checks must be restrictively endorsed at the time of collection (when the mail is opened).

DEQ has relied on two staff members for federal draws, one to prepare the DAFR (Federal Expenditure Report) report and a second to prepare and execute the Federal draw down. Based on our closeout interview, this finding refers to DEQ rounding up federal draws since the amount rounded up wouldn't be supported by expenditures at the time of the draw. Federal regulations do allow for rounding up as long as the money is spend within three business days, in the instance identified the DEQ did not expend the excess in three business days.

Effective February 17th, DEQ rounds federal draws only to the nearest \$100. In limited instances, if DEQ needs to round up by more than \$100 for a large expenditure covered by Federal dollars, the Financial Service Manager, or the Central Services Division Administrator will review the draw and follow up to ensure the funds are spent within the required three day period.

In many cases, DEQ uses Microsoft Access databases to enter and maintain revenue transactions. Currently, DEQ does not use forms, so DEQ cannot restrict editing of transactions. Financial Services is currently interviewing for a Business Systems Analyst to review current systems and modify or replace systems to support DEQ's business processes. It is improbable that DEQ will move away from Microsoft Access in the short term, in which case DEQ will need to rely on compensating controls.

DEQ will begin reconciling SFMS to its subsidiary systems regularly. Staff turnover and shortages has limited DEQs ability to implement this as quickly as we desire.

As soon as a Business Systems Analyst is hired and trained a new form will be created in Microsoft Access which will eliminate editing capabilities of individual transactions.

This relates to cost recovery invoices, which DEQ issues to recover its cost. In past years, DEQ only accrued cost recovery invoices that were considered liquidated, per ORS 293.229-293.233 and ORS 293.250. The rationale was that the collection of the non-liquidated receivables is very low and there is significant uncertainty as to who the responsible party is. DEQ now fully understands that the proper way to account for the non-liquidated invoices is to record a receivable and an allowance for doubtful accounts that reflects the estimated collectability.

DEQ has made the adjustments provided by the auditors for June 30, 2016, and will continue accounting for this correctly for all future years.

Anticipated Completion Date: June 30, 2017

2016-012 Higher Education Coordinating Commission
Distribution to Community Colleges – Accrual Process
Material Weakness

The department distributes money to community colleges for construction projects and Title II grant payments. To ensure distributions are recorded in the proper fiscal year, the department should have year-end accrual processes in place to accrue costs incurred during the year. For construction projects, the distributions are made on a reimbursement basis throughout the course of a project. The department, however, does not have a process in place to accrue distributions for project costs incurred before fiscal year-end. For title II payments, the department has a process in place to accrue the amount remaining on the grant at the end of the fiscal year.

When testing distributions to community colleges, we identified the following errors:

- Distributions for construction projects were overstated by about \$10.7 million for fiscal year 2016 because the department did not make accrual adjustments to record distributions in the proper fiscal years.
- Distributions related to Title II payments were overstated by about \$1.6 million as the department did not make an accrual adjustment in the prior fiscal year, resulting in some distributions being recorded as fiscal year 2016 instead of fiscal year 2015 distributions.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding.

The Office of Operations is currently drafting policies and procedures for all year-end close processes. They will be in place by May 1, 2017 so we will have adequate time to train our Accountants on them. We are also creating a year-end process checklist to distribute to all Accountants so that important procedures such as accruals are made at the appropriate time.

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Anticipated Completion Date: May 1, 2017

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

Due to legislation passed in 2013, the seven universities comprising the Oregon University System become separate legal entities. As a result, effective July 1, 2015, the department became responsible for accounting for various transactions related to the universities including \$2.2 billion in bond debt and the related debt management agreements requiring each university to pay the State principal and interest related to certain debt issuances.

As of the end of fiscal year 2016, the department had not established processes to properly account for and monitor the transactions associated with this debt. Without an adequate process in place, there is a risk that the accounting records may contain errors that would not be detected. The department recorded transactions associated with this debt in the spring of 2016 and relied heavily on assistance from the Department of Administrative Services Statewide Accounting and Reporting Unit to record the transactions. Overall, the balances were fairly reported as of June 30, 2016. Our audit did identify a \$27 million overstatement in interest income and \$818,000 understatement in interest expense.

We recommend department management finalize and document the processes and controls over the accounting and monitoring of the university debt related accounts.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this finding.

Recording the debt was a one-time event for our department. Now that the debt is on our books and HECC is part of the University bond process, we will be able to get our structure ready ahead of any new bond sales. This will enable us to properly account for all current and future debt. The structure for the February 2017 bond sales is in place, and the new debt will be accounted for properly. We are also in the process of drafting policies and procedures to properly account for all University and Community College bonds and debt service.

We are working with SARS and DAS to ensure our policy includes the correct Tcodes and procedures for recording the accruals of payment to the colleges and universities.

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

The Oregon Accounting Manual requires the department to regularly perform reconciliations of cash recorded in department records to amounts reported on trustee or treasury statements and that the reconciliations be independently reviewed by management.

Timely and effective reconciliations can help to timely identify and address errors or other problems that may have occurred. Although the department performed cash reconciliations during the fiscal year, the reconciliations did not always have evidence of a management review.

We recommend department management ensure reconciliations are timely reviewed by management.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We partially agree with this finding.

While the reconciliations viewed by Secretary of State were not signed, it is our policy to have either the Accounting Team Lead or Budget and Accounting Manager review and sign the reconciliation forms, and have many that are signed timely on file. We will remind staff who prepare the reconciliations of this procedure and ensure all future reconciliations are reviewed and signed. In addition, the Accounting Team Lead will be reviewing any unsigned older reconciliations to ensure accuracy.

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

The state's accounting policy directs that revenue, within governmental funds, be recognized using the modified accrual basis of accounting. Under this basis of accounting, revenue recorded in the current year must be both measurable and available to finance current period expenditures. For the state, revenue is considered "available" if it is collected within 90 days of the fiscal year end. When actual amounts cannot be easily determined, agencies are encouraged to estimate current receivables associated with revenue collected within the 90 day period and long-term receivables associated with amounts to be collected after the 90 day accrual period.

Although the department has some procedures for estimating and accruing receivables at year end, improvements are needed. During testing we identified weaknesses that resulted in an understatement of \$436,828 to current accounts receivable related to Forest Protection Taxes, an overstatement of \$5,098,826 to Charges for Services and the related current accounts receivable, and an overstatement of \$1,463,333 to long-term receivables. Specifically, we noted the following:

- The department records year-end accounts receivable balances based on transactions recorded throughout the year and historical collections. The department's procedures do not always include estimates of amounts expected and available within 90 days of the fiscal year end. As a result, the receivables recorded for the fiscal year were inaccurate, resulting in misstatements described above.
- The process used by the Fire Protection Division to estimate long-term receivables for large fire costs, expected to be reimbursed by federal entities, could be improved. When reviewing this estimate we found:
 - The department could not provide documentation to support a portion of the estimate;

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

- A transaction that was already received by the department during the fiscal year was erroneously included as a receivable; and
- A transaction was duplicated because it was already recorded in the account based on the procedure noted above.

During fiscal year 2016, the department operated with staffing constraints, especially in the Forest Protection Division. Additionally, the department's current accrual procedures lack comprehensive instruction to ensure revenues and receivables are recorded in accordance with generally accepted accounting principles.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The department agrees with the recommendation.

We will review our current revenue accrual processes for fiscal year end and make updates to our documented procedures to help ensure that all year-end estimates are adequately supported and in accordance with generally accepted accounting principles. Specifically, we will perform the following tasks.

- *The Finance Program will review our methodology for estimating the current portion of receivables expected to be received within 90 days of the fiscal year end. The focus of this review will be to ensure that our methodology is producing estimates that are reasonable and are taking into account the best information that is available at the time. Documented procedures for this process will be updated by August 2017.*
- *The Finance Program will work in coordination with the Fire Protection Division to review and document the methodology, sources of information used, and assumptions made to compile and estimate long-term receivables associated with large fire costs. Documented procedures for this process, including identification of backup documentation to be included with the year-end entry to support the estimates, will be updated by August 2017.*

Anticipated Completion Date: August 2017

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

The Oregon Department of Transportation (department) authorizes certain employees access to the state's payroll system as part of their job responsibilities. The Department of Administrative Services grants the access to the system. We reviewed employees' access to the payroll system to determine whether it was appropriate for their current job duties, and whether their access had been revalidated in accordance with department policy. We identified two employees whose access to the payroll system should have been revoked more than a year prior to our review. Both employee's job responsibilities had changed so they no longer needed access to the

payroll system. This oversight resulted from department employees implementing modifications to internal (TEAMS) reports that were used during the payroll system revalidation process, but not communicating these changes to the employee responsible for revalidating access. As a result, the employee was not aware of the changes to the two employees' status and, therefore, did not contact the Department of Administrative Services to have the employees' access revoked.

Sound internal control over information systems requires the access rights of all employees to be revoked upon termination of their employment, or revoked when the access is no longer required for their assigned job duties. Failure to revoke system access in a timely manner may result in unauthorized changes to the state's payroll system.

We recommend department management review its policies and procedures for revoking access to the payroll system and ensure staff responsibilities are clearly defined.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding and recommendation.

Information Systems and Financial Services Branch management will review and revise existing desk procedures to ensure communications between the two Branches update and revoke access to the Oregon State Payroll Application (OSPA) timely.

Anticipated Completion Date: March 31, 2017

Section III – Federal Awards Findings and Questioned Costs

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

2016-017 Department of Human Services

Payroll Costs Inappropriately Charged to Foster Care 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:	1501ORFOST; 2015, 1601ORFOST; 2016
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Material Weakness, Material Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$795,619 (known)

Criteria: 42 USC 674 (a)(3)(A); 45 CFR 1356.60(c)

Federal regulations require that the department charge only allowable program expenditures to the program. Funds may be expended for costs directly related to the administration of the Title IV-E Foster Care program, including, but not limited to, those costs associated with training, eligibility determination and redetermination.

Payroll and benefit costs for department employees who perform eligibility determinations and redeterminations for the Foster Care program are directly charged to the program. We noticed payroll charges for state fiscal year 2016 increased from the prior year. When we made inquiries about the increase, department management determined payroll and benefits for 13 employees were incorrectly charged to the program in error as the employees were not performing functions related to Foster Care eligibility administration, resulting in \$299,900 in questioned costs.

In addition, the department identified payroll and benefits for 15 caseworkers were erroneously charged directly to Foster Care when the costs should have been charged to a cost allocation plan pool. Beginning in January 2015, department management arranged for caseworkers' time for attending specific training to be charged directly to the Foster Care program. This was accomplished by management authorizing specific payroll coding. Subsequently, management decided to end this method of charging caseworkers' time, as they determined this method was not advantageous and was an administrative burden. Some caseworkers' payroll coding was not corrected and their payroll and benefits continued to be charged directly to Foster Care as training costs, resulting in \$495,719 in questioned costs.

We recommend department management correct the payroll system coding for identified employees, and reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Federal Policy, Planning and Resources (FPPR) will work with the Office of Financial Services (OFS) to develop a methodology to monitor employee payroll to ensure accurate reporting of

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

employee's that should be direct funded by Title IV-E. FPPR will also coordinate the correction of the errors identified to ensure reimbursement of IV-E federal funds.

Anticipated Completion Date: June 30, 2017

**2016-018 Department of Human Services
Financial Transaction Processing Errors in Child Welfare System**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year: 1501ORFOST; 2015, 1601ORFOST; 2016
Compliance Requirement: Allowable Costs/Cost Principles
Type of Finding: Material Weakness, Material Noncompliance
Prior Year Finding: 2015-007
Questioned Costs: \$103,130 (known)

Criteria: 45 CFR 1356.21

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

While reviewing the Title IV-E Foster Care financial data processed by OR-Kids in fiscal year 2016, 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 payment issued at the time of original services, which generally results in no payment to the provider. However, this process does not always occur as it should, and results in the department incorrectly reporting and drawing federal funds. For fiscal year 2016, we identified the following errors:

- For some placement corrections, OR-Kids processed the recovery of the funds in a state grant, instead of the federal program, resulting in \$97,000 in inappropriate federal expenditures.
- In some cases, if a placement correction is made that requires a child to be entered in a different age range for services (e.g., 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 of \$3,500 to the provider.
- In some instances, we found OR-Kids processed the “new” payment and the recovery to the correct grants, but the “new” payment recorded federal expenditures at the federal financial participation rate in effect when the “new” transaction processed, and recovery of the expenditure recorded a reduction in federal expenditures at the federal financial participation rate in effect when the original service and payment took place, resulting in

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

an inappropriate increase in federal expenditures. We identified related questioned costs of \$230.

- Increases to program costs processed in OR-Kids for 10 months of recurring payments appear to be services for referral services (e.g., generally processed at one-time costs). The department did not provide documentation to support the recurring costs were allowable. We identified questioned costs of \$2,400.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The OR-Kids team is continuing to work with OFS to identify system code changes needed to ensure proper financial reporting of program expenditures occurs. Once a full system analysis is completed with system reports identifying needed adjustments the department will reimburse the federal government for IV-E expenditures claimed inappropriately. Regarding placement corrections and the birthday batch system limitations, OR-Kids is working on a system modification that will look at the child's age at the time of placement rather than the age at the time of the placement correction to allow the correct financial processing. Manual financial adjustments are made when placement corrections don't allow the system to refinance at the appropriate rate due to the current age of the child and the birthday batch system limitations.

Anticipated Completion Date: July 15, 2018

**2016-019 Department of Human Services
Improve Foster Care Provider Eligibility Documentation**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1501ORFOST; 2015, 1601ORFOST; 2016
Compliance Requirement:	Eligibility
Type of Finding:	Material Weakness, Material Noncompliance
Prior Year Finding:	2015-009
Questioned Costs:	\$14,100 (known); \$427,000 (likely)

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

Federal regulations require that the department meet certain requirements to receive Foster Care funding for certain child welfare expenditures. The department is required to determine child eligibility and maintain documentation of that determination, as well as ensure 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

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

(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 foster care cases to determine whether the provider eligibility determinations were supported and identified the following exceptions:

- One case where the department could not provide documentation to support the provider's certification, dated January 2015 in OR-Kids. The required initial home study for the provider was not approved by the supervisor until May 2016, and a background check was not performed until September 2016. We questioned costs of \$10,700 from January 2015 through June 2016.
- One case where the department did not complete a home study until the foster care certification closed. Additionally, for the renewal, the department was unable to provide documentation to support that a child and abuse neglect registry check was performed for another adult living in the provider's home. The renewal period began in August 2015 and closed in October 2015. The home study was not completed until October 2015 and was not approved by a supervisor. We questioned costs of \$1,500 for August 2015 through October 2015.
- One case where the department did not maintain documentation of a home study for a certification renewal, and only completed it after we requested the documentation. The renewal period started in March 2016 and the home study was not completed until February 2017. We questioned costs of \$1,900 for March 2016 through June 2016.

We projected these errors to the population and determined likely questioned costs of \$427,000.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Federal Policy, Planning and Resources (FPPR) and the Foster Care Program will create a one-page reference guide for Child Welfare certifiers, eligibility specialists and their supervisors that will provide specifics on when a certification is considered approved for a Certificate of Approval, which is when IV-E eligibility can be completed.

This reference guide will be supported by the OR-Kids Well-Being build that was released in production on March 1, 2017. The Well-Being build enhanced the check list processing and created a new "Safety" tab on the provider page. The enhancements include system edits that will prevent a "Certificate of Approval" if the dates on the check list or the safety tab are not completed prior to or same date as the beginning date of the "Certificate of Approval." The new functionality will drive the information provided in the reference guide.

FPPR will work with the Districts where errors were made for corrections.

Anticipated Completion Date: June 30, 2017

**2016-020 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:	1501ORFOST; 2015, 1601ORFOST; 2016
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency
Prior Year Finding:	2015-010
Questioned Costs:	N/A

Criteria: 45 CFR 1356.60(c); 45 CFR 95.507(b)(4)

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

We selected a random sample of 25 administrative transactions directly charged to the foster care program in the department's accounting records. One transaction for legal services and witness fees 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. In addition, the supporting documentation did not identify which programs the cases were related to. The department allocated the invoice amount of \$106,299 as follows: 65% to Title IV-E Foster Care and 35% to another federal program. When we inquired about the allocation, department management explained the allocations were the result of past management's decisions and no basis or explanation was available for the allocation of the costs.

We recommend department management ensure its methodology for allocating administrative costs to the Title IV-E Foster Care program is documented and adequately supported.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Federal Policy, Planning and Resources (FPPR) corrected the methodology for allocating administrative costs for the affected contracts in June 2016. FPPR will work with Office of Financial Services to determine the amount of the Title IV-E adjustments. The adjustments will be for SFY 2014 — SFY2016.

Anticipated Completion Date: June 30, 2017

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

**2016-021 Department of Human Services
Document Methodology to Review Foster Care 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: 1501ORFOST; 2015, 1601ORFOST; 2016
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency
Prior Year Finding: 2015-012
Questioned Costs: N/A

Criteria: 42 USC 671(a)(11); 45 CFR 1356.21(m)(1)

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 used 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 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 2016, the department has made no changes to the rates since 2012. The department's state plan also does not provide for specific, time-limited periods for reviewing maintenance payment rates.

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 recommendation.

The department had intended to file a new Oregon Administrative Rule in fall 2016, but due to priorities over other rules, this one did not get filed. The department rules coordinator now has this information with the intention to file the rules no later than July 1, 2017. The new rule will state that the department shall review the established foster care payment rates every two years (odd years) in conjunction with the department budget preparation processes for Governor's Recommended Budget. The purpose of this review is to consider the rates the state is providing in comparison to USDA Cost of Raising a Child or similar reports.

Anticipated Completion Date: July 1, 2017

**2016-022 Department of Human Services
Improve Controls Over Monthly Copay Calculation & Documentation**

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: 2016G996005; 2016, 2016G999004; 2016, 2016G999005; 2016, 2015G996005; 2015, 2015G999004; 2015, 2015G999005; 2015, 2015G99WREL; 2015
Compliance Requirement: Allowable Costs/Cost Principles; Eligibility
Type of Finding: Material Weakness, Material Noncompliance
Prior Year Finding: 2015-021
Questioned Costs: \$2,263 (known); \$1,193,491 (likely)(93.596)

Criteria: 42 CFR 98.42

The Child Care Development Fund program offers federal funding to states to increase the availability, affordability, and quality of child care services. As required by federal regulations, the department has developed a sliding fee scale, based on family size and income that provides for cost sharing by families that receive child care services (monthly copay). 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 8 of the 60 cases.

- For one case, the department was unable to provide support for using the special needs rate. If special needs are established, older children can receive assistance. This special needs payment was for a child who would be ineligible due to age under regular assistance. This resulted in a provider overpayment of \$1,832.
- For five cases, the client's monthly copay was incorrectly calculated due to a caseworker using an incorrect pay period to calculate income, not including child support payments in calculating income, and using an incorrect family size. These errors resulted in the two client's co-pay being too low resulting in a department overpayment of \$486 and three client's co-pay being too high resulting in a department underpayment of \$501.
- For one case, the income amount used to calculate the client's copayment was revised and the reasoning was not documented nor was support located. Using the original income with supporting documentation resulted in a department overpayment of \$350.
- For one case, childcare authorized hours were not based on documentation but on a client narrative. This resulted in the approved level of childcare being set at the full-time rate instead of the part-time rate and a provider overpayment of \$96.

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

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

We recommend department management ensure a client's monthly copay is correctly calculated, hours are correctly calculated, income support is retained, and a client's special needs rate documentation is maintained. We also recommend department management reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

In response to the issues identified in the audit, the Child Care policy unit is working with the Quality Assurance team to provide training and tools to field staff who determine eligibility for the Employment Related Daycare Program (ERDC). Articles will be published in the "On Target" newsletter to address requirements for medical documentation, calculating income, and how to determine the correct family size. The "On Target" is a monthly newsletter that is distributed to all field staff who determine eligibility.

Training will also be provided through accuracy labs. Accuracy labs are provided through Smart Boards and can be viewed from anywhere in the state. Topics that will be included are how to determine pay frequency, calculating income, calculating child care hours and coding the correct number of people on the case. The training will be available to all staff in the next two months.

After implementing the training and tools, the Quality Assurance team will provide targeted reviews focused on monthly copay calculation.

For each of the eight cases that were determined to have errors, the cases will be reviewed and the appropriate adjustments to federal expenditures will be made.

Anticipated Completion Date: July 1, 2017

**2016-023 Department of Education
Continue to 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:	2016G996005; 2016, 2016G999004; 2016, 2016G999005; 2016, 2015G996005; 2015, 2015G999004; 2015, 2015G999005; 2015, 2015G99WREL; 2015
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2015-022
Questioned Costs:	N/A

Criteria: 45 CFR 75.352; 45 CFR 98.11

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

federal program requires the department to ensure subrecipients determine individual eligibility according to the rules established by the program.

During fiscal year 2016, the department expended about \$9 million in program moneys to more than 70 subrecipients. The department has written agreements with the subrecipients outlining the roles and responsibilities for meeting program requirements, including eligibility if applicable to the subrecipient. We reviewed eight subrecipients that received \$4.3 million in program moneys for fiscal year 2016 to determine if monitoring occurred. For six subrecipients, monitoring was not performed. These subrecipients were responsible for determining eligibility and received \$486,000 in program moneys. The department started developing a process to monitor subrecipients, but most of the monitoring occurred after fiscal year end.

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

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with the finding and recommendation that management ensure monitoring of subrecipients is conducted to ensure compliance with federal requirements, including a review of each subrecipient's eligibility determination process

As acknowledged in your letter, ODE started developing a process to monitor subrecipients, but most of the monitoring occurred after the fiscal year end. On-site program monitoring for Special Population subrecipients began in September 2016. The monitoring visit included compliance with contractual and federal health and safety requirements as well as review of eligibility and determination. We will improve the monitoring tool for random testing of eligibility and determination, and verify the following components:

- *TANF participation*
- *Participating in approved program*
- *Citizenship or qualified status*
- *Parent monthly income*
- *Residency*

Anticipated Completion Date: June 30, 2017

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

**2016-024 Department of Human Services/Oregon Health Authority
Ensure Medicaid Payments are Sufficiently Supported**

Federal Awarding Agency: U.S. Department of Health and Human Services
Program Title and CFDA Number: Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year: 1505OR5MAP; 2015, 1505OR5ADM; 2015, 1605OR5MAP; 2016, 1605OR5ADM; 2016
Compliance Requirement: Allowable Costs/Cost Principles; Eligibility
Type of Finding: Material Weakness, Noncompliance
Prior Year Finding: 2015-016
Questioned Costs: \$4,528 (known)(93.778)

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

Federal regulations require certain conditions be met for the department and authority to receive Medicaid funding for medical claims, including a signed application and a redetermination of eligibility for the program every 12 months. In addition, the department and authority are required to maintain sufficient documentation supporting the client's eligibility and individual claims.

We tested 65 clients and a claim associated with each client to verify eligibility and found the following:

- For two department clients and two authority clients, the agencies were unable to locate an enrollment application. However, we were able to determine the clients were eligible for Medicaid services.
- For one client, the department was unable to provide evidence that a redetermination had been performed timely. As of February 2017, no medical redetermination had been documented since October 2014, when an expedited renewal was sent to the client. Based on the department's plan for expedited renewals, a redetermination should have been completed by October of 2015. Based upon available documentation, we were subsequently able to verify that the client receives social security income and is, therefore, eligible for Medicaid services.
- For one client, the authority was unable to provide evidence that a redetermination had been performed timely. Based on our review of available documentation, this client was not eligible for services after turning age 19 in February 2014. In August 2015, the authority identified this client as ineligible for services but did not adjust records for prior unallowable costs resulting in questioned costs of \$3,199. This error was the result of an override of system controls.
- For two clients, the department was unable to provide evidence of the Homecare workers vouchers, supporting the costs charged to the Medicaid program, resulting in questioned cost of \$1,329.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

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, as well as the retention policies of Home Care Worker Vouchers. 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. For the two vouchers that the office was unable to find, we are in the process of returning the federal funds in the amount of \$1,329.

In 2015, the Oregon Health Authority (OHA) implemented a new eligibility determination system, Oregon Eligibility (ONE). The ONE system includes functionality to ensure application information is maintained and redeterminations are processed timely.

The OHA will work to identify the individuals impacted by the override of system controls and develop a plan to assess eligibility for those individuals and the potential unallowable costs. For the client who did not have a timely redetermination when they turned 19, the state is in the process of returning the federal funds.

Anticipated Completion Date: July 1, 2017

2016-025 Oregon Health Authority

Document Database Searches and Retain Provider Enrollment Agreements

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:	1505OR5MAP; 2015, 1505OR5ADM; 2015, 1605OR5MAP; 2016, 1605OR5ADM; 2016
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2015-020
Questioned Costs:	N/A

Criteria: 42 CFR 431.107; 42 CFR 455.436

Federal regulations require that a state plan must provide for an agreement between the authority and each provider in which the provider agrees to adherence to certain federal regulations. The federal regulations also require that the authority verify all Medicaid enrolled providers are not listed in the Social Security Administration's Death Master File (DMF), the List of Excluded Individuals/Entities (LEIE), and the System for Award Management (SAM), but are included in the National Plan and Provider Enumeration System (NPPES).

We found the authority's provider screening and eligibility documentation could be improved:

- The authority was unable to locate an enrollment agreement for 2 of 9 randomly selected providers. If provider enrollment agreements are not maintained, the authority is not in compliance with federal regulations and risks making payment to ineligible

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

providers. We were able to verify the providers were eligible to receive Medicaid payments.

- In response to prior year findings, the authority implemented new functionality in the Medicaid system to allow staff to document the verification of the four databases for new and revalidated providers. However, for 10 of 25 randomly selected providers enrolled/revalidated during fiscal year 2016, the authority did not document in the system that the four database searches were performed. If the database searches are not performed, the authority risks making payment to ineligible providers. Additional testing confirmed the 10 providers were eligible providers.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The state is currently in the process of obtaining current provider enrollment agreements from the providers noted in the findings. Those providers were enrolled prior to imaging and the applications are not part of the electronic provider file. The state strengthened its revalidation process in 2017. The current process includes revalidating all providers previously revalidated in 2016 and a Centers for Medicare & Medicaid Services (CMS) facilitated Medicare revalidation file comparison. This file comparison reduces the state's revalidation provider volume by removing providers approved/revalidated by Medicare. The state will conduct additional database check training for enrollment staff.

Anticipated Completion Date: April 15, 2017

**2016-026 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:	1505OR5MAP; 2015, 1505OR5ADM; 2015, 1605OR5MAP; 2016, 1605OR5ADM; 2016
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2015-018
Questioned Costs:	N/A

Criteria: 45 CFR 95.621

Federal regulations require that state agencies perform periodic security reviews and risk analyses of all automated data processing (ADP) equipment and facilities involved in the administration federal Health and Human Service programs, including Medicaid.

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Several computer systems support the Medicaid program and issue payments. The primary Medicaid system (MMIS) processes 81 percent of the payments. In the last few years, management has developed a risk analysis and security plan. The required risk analyses and system security review were performed specific to MMIS. However, no risk analyses or security reviews have been performed for the other systems that support the Medicaid program. According to the agency, they are developing a plan and timeline to address the other systems.

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

We recommend management finalize its plan for other Medicaid systems and then perform risk analyses and security reviews of those system in accordance with the plan.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The Information Security and Privacy Office (ISPO) is developing a plan to implement a framework for conducting the required risk and security assessments on the Automatic Data Processing (ADP) systems which support the Medicaid program in Oregon. The framework is based on a three-year cycle to incorporate Information Security Risk Assessments, Security Control Assessments and Vulnerability Assessments of the Medicaid systems. The role of the ISPO will be to coordinate and oversee the schedule and assist the Medicaid programs with procuring and contracting with third-party vendors for the risk and security assessments. Additionally, the risk assessment program will work closely with the Office of Information Services (OIS) Audits and Risk Management (ARM) program, established in January 2016, to ensure that risk mitigation plans are established and plans of action are followed, to ensure closure of identified risk for the Medicaid systems.

Anticipated Completion Date: December 31, 2017

**2016-027 Department of Human Services/Oregon Health Authority
Ensure Review of Wireless Bills**

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:	1505OR5MAP; 2015, 1505OR5ADM; 2015, 1605OR5MAP; 2016, 1605OR5ADM; 2016
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Significant Deficiency
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.403(a); 2 CFR 200.404

As part of our testing, we sampled 25 Medicaid transactions that were recorded directly in the state's accounting system, rather than through other client-benefit based computer

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

applications. Two of the sample items were invoices for wireless services for department and authority staff. Although agency policy and a separate statewide policy require review of the monthly charges, the agency was not able to provide documentation that one invoice had been reviewed by a cell phone coordinator. Lack of review for wireless services increases the risk that unallowable and inappropriate costs could be charged to incorrect federal programs.

We recommend department management strengthen its controls over the reviews of monthly employee cell phone invoices.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Mobile Device Coordinators (which have a local knowledge of the office and mobile users) are responsible to process and manage device activations/deactivations, maintain billing codes, and to review the monthly reoccurring service charges through our mobile service management portal. The monthly bill review/acknowledge process is captured electronically when the coordinator authenticates into the service management portal and proceeds through the process of reviewing the monthly bill for their records and is captured by pressing the Acknowledge button after the review.

In one noted case, the task of reviewing/acknowledging the monthly bill did not occur. Local coordinators have been trained on this process and they can see which months have been reviewed in the portal, but a monthly notification/alert process does not currently exist to notify anyone when the task has not been completed.

Office of Information Services (OIS) Collaborative Communications will generate a communication to all coordinators and remind them of their responsibility to review/acknowledge the monthly billing data and that their acknowledgement is recorded and audited. The specific section of the portal user guide will also be attached to this communication. Further, OIS Collaborative Communications will develop a process and automated email notification system to alert the coordinator(s) and the manager if the monthly review is not completed timely.

Anticipated Completion Date: June 30, 2017

2016-028 Department of Human Services
Adoption Assistance Paid on Behalf of Ineligible Children

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: 1501ORADPT; 2015, 1601ORADPT; 2016
Compliance Requirement: Activities Allowed or Unallowed
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: \$36,400 (known); \$525,500 (likely)

Criteria: 45 CFR 1356.60(a)(1)(ii)

Federal regulations allow funds to be expended for adoption assistance subsidy payments made on behalf of eligible children, in accordance with a written and binding adoption assistance agreement.

We selected a random sample of 60 adoption assistance subsidy payments to determine whether payments were made on behalf of eligible children. We found one case where the child welfare system showed the child as eligible for federal adoption assistance subsidy payments, but the adoption assistance agreement indicated the child was not IV-E eligible. Upon further review, we found the child, and a sibling, both were incorrectly classified as eligible in the system due to data conversion errors that occurred in fiscal year 2012. This resulted in questioned costs of \$36,400. We projected these costs to the population to and determined likely questioned costs of \$525,000.

We recommend department management correct the identified cases in the child welfare system, and reimburse the federal agency for costs paid on behalf of the ineligible children.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The Permanency Unit and Federal Policy, Planning and Resources (FPPR) will work with OR-Kids Business Analyst to determine all the cases affected by eligibility conversion issues and make necessary corrections to reimburse IV-E funding.

Anticipated Completion Date: September 30, 2017

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

**2016-029 Department of Human Services
Adoption Assistance 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: 1501ORADPT; 2015, 1601ORADPT; 2016
Compliance Requirement: Eligibility
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: 2015-013
Questioned Costs: \$520 (known)

Criteria: 42 USC 671(a)(20)(B)

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 ensure providers have satisfactorily met a criminal background check and child abuse and neglect registry check (including other adults living in the provider's home). In Oregon, a verified criminal history or child abuse and neglect history requires a documented exception in certain instances to ensure the provider satisfactorily passed the checks.

We reviewed a random sample of 60 cases to determine whether eligibility was supported and identified the following exceptions:

- One case where the department was unable to provide documentation to support that a child abuse and neglect registry check was performed on two other adults living in the home at the time of the adoption of the child and their sibling. This resulted in known questioned costs of \$520.
- Another case where the provider had a documented child abuse and neglect registry history. At the time we reviewed this case, the department had not documented the exception for the child abuse and neglect history to support that the provider satisfactorily passed the check. Subsequent to our review, however, department personnel completed the documentation.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Federal Policy, Planning and Resources (FPPR) will work with Permanency Unit to develop procedures on what documents must be included in the finalized adoption file that supports Title IV-E Eligibility for the adoption subsidy. A reference guide will be created for the field and central office adoption workers to use when completing adoption and guardianship assistance cases.

The Well-Being build was released to production on March 1, 2017. The Well-Being build enhanced the check list processing and created a new "Safety" tab on the provider page. The enhancements

include system edits that will prevent a "Certificate of Approval" if the dates on the checklist or the safety tab are not completed prior to or same date as the beginning date of the "Certificate of Approval." The new functionality will drive the information that will be required for finalized adoption and guardianship assistance cases.

Identified errors will be corrected to reimburse IV-E funding.

Anticipated Completion Date: September 30, 2017

2016-030 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:	1501ORADPT; 2015, 1601ORADPT; 2016
Compliance Requirement:	Level of Effort
Type of Finding:	Significant Deficiency
Prior Year Finding:	2015-014
Questioned Costs:	N/A

Criteria: 42 USC 673(a)(8)

Since 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 department did not include the cases noted because their eligibility was not properly marked in the system, resulting in an underestimation of savings.

We reviewed 60 eligibility cases for fiscal year 2016 to determine if the department properly documented the child’s type of eligibility in OR-Kids and found one case where department personnel determined the child was eligible as an applicable child and noted the eligibility in a comment box instead of marking the applicable eligibility section in OR-Kids. Additionally, four cases we identified in fiscal year 2015, and another two cases we identified in fiscal year 2014 with the same error have not been corrected.

The department needs to have complete and accurate data related to applicable child eligibility to correctly estimate the savings of state expenditures. If the data is not complete or accurate,

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

the department may not accurately estimate the amount to be spent on program-related costs in future years.

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 recommendation.

Federal Policy, Planning and Resources (FPPR) will continue to work with OR-Kids Business Team to identify affected cases and ensure the Adoptions Assistance eligibility accurately reports that the child is eligible for adoptions assistance IV-E due to applicable child expansion.

Anticipated Completion Date: September 30, 2017

**2016-031 Oregon Health Authority
Strengthen Controls Over Payroll Processes and Cell Phone Review**

Federal Awarding Agency:	U.S. Department of Health and Human Services Centers for Medicare & Medicaid Services
Program Title and CFDA Number:	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624)
Federal Award Numbers and Year:	1G1CMS331183-03; 2014, 1G1CMS331183-04; 2015
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$12,436 (known)

Criteria: 45 CFR 75.308(a)(b); 45 CFR 75.430(i)(1)(vii-viii)

Federal regulations require the agency to expend funds according to the approved budget unless explained or pre-approved. Agency procedures require the review of invoices and payroll timesheets to ensure costs are allowable and budgeted. However, federal regulations state that budget estimates alone do not qualify as support for personnel expenses. If an employee works on more than one federal award, then documentation must support the distribution of the employee's salary among specific activities.

We tested 61 services and supplies invoices and 51 payroll timesheets for evidence of manager review. Although agency policy requires manager review of timesheets and state policy requires review of monthly cell phone invoices, the agency is not ensuring these reviews occur.

- For three monthly cell phone invoices, there was no evidence of review by most of the cell phone coordinators for cell phones assigned to the program. Further, one coordinator is assigned to review her own electronic invoice. Cell phone costs are charged to the federal or state program to which staff is primarily assigned. We identified two phones were assigned to staff who did not charge any time to the program

and had terminated employment, resulting in \$94 of known questioned costs and \$1,341 in likely questioned costs. We were able to determine that the remaining cell phones were for staff assigned to the program.

- For 34 timesheets, there was no evidence of manager review in either the electronic system or paper timesheets if manager did not review in the electronic system. For employees working on the federal program, the payroll system was coded to charge labor costs as per percentages in the approved budget. Without manager review, there is a risk time could be incorrectly coded to the federal program. We identified one employee who did not realize his time was coded to split among grants in the payroll system. He overrode his labor cost codes without notifying management; thus, doubling the amount charged to the program and resulting in questioned costs of \$12,342.

We recommend department management strengthen its controls over the reviews of monthly employee timesheets and cell phone invoices.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

Managers are responsible for ensuring the accurate accounting of employee time worked and proper coding of this time through approving and locking time in the ePayroll system. When the manager has not locked the time of an employee in the ePayroll system they are to print, sign and maintain a copy of the time for that employee.

A written procedure is being created and will be added to the division operating manual to document the proper process and responsibilities. This procedure will be distributed to all staff and managers. Additionally, this procedure is being added to the onboarding process for new managers within the Health Policy and Analytics Division.

Payroll coding for employees working on federal grants have billed their time to one or more grants through a predetermined percentage based on the amount identified through the budgeting process. The use of the percentages has been widely used throughout all grants in the division.

As a division-wide response, employees will now have a default coding to their home program area. They will capture their time in the ePayroll system on an actual time basis detailed to the working hour level and coded specifically to grants in which they work overwriting their default codes. In addition, training has been provided to ensure that all employees who work on grants not only understand the importance of proper coding but the process for doing so in the ePayroll system.

Mobile Device Coordinators (which have a local knowledge of the office and mobile users) are responsible to process and manage device activations/deactivations, maintain billing codes, and to review the monthly reoccurring service charges through our mobile service management portal. The monthly bill review/acknowledge process is captured electronically when the coordinator authenticates into the service management portal and proceeds through the process of reviewing the monthly bill for their records and is captured by pressing the Acknowledge button after the review.

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

In noted cases, the task of reviewing/acknowledging the monthly bill had not occurred. Local coordinators have been trained on this process and they can see which months have been reviewed in the portal, but a monthly notification/alert process does not currently exist to notify anyone when the task has not been completed

Office of Information Services (OIS) Collaborative Communications will generate a communication to all coordinators and remind them of their responsibility to review/acknowledge the monthly billing data and that their acknowledgement is recorded and audited. The specific section of the portal user guide will also be attached to this communication. Further, OIS Collaborative Communications will develop an automated email notification system to alert the coordinator(s) and the manager if the monthly review is not completed timely.

The existing agency process clarifies that the coordinator is not to activate or review their own device or monthly service charges. In one noted case, a coordinator had a device under their own employee ID. When a device is on hold (pending the hire of replacement employee on a vacated position) or for check-out devices (devices checked-out to staff on an as-needed basis), the assignment to the coordinator as "the owner" of the device is appropriate, however the mobile service record should indicate "On Hold" or "Check-Out" in the Admin Note field within the service management portal. In the case where the device is solely for the individual use of the coordinator, a backup or regional coordinator is also required to review/acknowledge the monthly billing charges.

OIS Collaborative Communications will identify any scenarios where devices are assigned to a coordinator for their own individual use. An email communication will be sent out to all coordinators and their managers notifying them that the local backup, regional, or centralized coordinator will also be required to acknowledge the monthly billing data when a coordinator's device is also listed.

Coordinators are already able to see the employees and codes that are in use. Automated email notifications already occur to notify the coordinator anytime a device assigned to an employee who has left service with the agency. Automated processes and weekly email notifications already occur to not the coordinator when invalid billing codes are in use.

OIS Collaborative Communications will generate a communication to all coordinators and remind them of their responsibility to review/acknowledge the monthly billing data (including the charge codes in use), ensure that incorrect codes are corrected, and to ensure that inactive employees' devices are promptly reassigned or canceled.

Anticipated Completion Date: June 30, 2017

2016-032 Oregon Health Authority
Strengthen Controls Over Subrecipient Fiscal Monitoring

Federal Awarding Agency:	U.S. Department of Health and Human Services Centers for Medicare & Medicaid Services
Program Title and CFDA Number:	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624)
Federal Award Numbers and Year:	1G1CMS331183-03; 2014, 1G1CMS331183-04; 2015
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 45 CFR 75.352(d)

Federal regulations require pass-through entities to monitor the activities of subrecipients to ensure subawards are used for authorized purposes. The agency's monitoring consists of obtaining quarterly performance reports and summary financial reports. In addition, as part of the entity's triennial review, the agency currently reviews expenditures related to the program for reasonableness and allowability.

During fiscal year 2016, payments were made to three county health departments identified by the agency as subrecipients. The agency's triennial reviews of these subrecipients occurred in September and October 2014 and April 2015; however, due to department oversight, this program was not included as part of the reviews

As the grant award for this program will end May 2017, there is a risk that no detailed fiscal review will occur.

We recommend management review expenditures to ensure subawards were used for authorized purposes.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding.

The Public Health Division manages multiple sub-awards with one vendor through a single agreement. As new sub-awards are added to agreements, necessary monitoring requirements are evaluated based on risk. As these new sub-awards are received, the agency will ensure fiscal monitoring protocols are in place that meet the Uniform Guidance as determined by a pre-risk assessment.

Anticipated Completion Date: July 1, 2017

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

**2016-033 Oregon Health Authority
Strengthen Controls Over the Contract Process**

Federal Awarding Agency: U.S. Department of Health and Human Services
Centers for Medicare & Medicaid Services
Program Title and CFDA Number: ACA – State Innovation Models: Funding for Model
Design and Model Testing Assistance (93.624)
Federal Award Numbers and Year: 1G1CMS331183-03; 2014, 1G1CMS331183-04; 2015
Compliance Requirement: Procurement and Suspension and Debarment
Type of Finding: Significant Deficiency
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 180.300

Federal regulations restrict contracts with parties that are debarred, suspended, or otherwise ineligible for federal programs. The agency's procedures require the contract unit to complete a checklist, which includes a step for verifying contractors are not debarred or suspended. The checklist is also to ensure the file includes a complete, executed contract.

For 3 of 19 sampled contract files, the agency could not locate evidence to support it had verified the contractor was not suspended or debarred. For one contract, the checklist incorrectly noted the requirement as not applicable. We were able to verify the contractors were not suspended or debarred.

In addition, due to agency oversight, one contract was missing the schedule identifying \$45,000 in award deliverables applicable to the program. A subsequent amendment includes appropriate funding deliverables and quarterly performance and progress reports related to the program were submitted by the contractor.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The Office of Contracts and Procurement will notify contract staff and continue to provide ongoing education in regard to searching the System for Award Management (SAM) for each contractor/vendor to verify that the contractor/vendor is neither suspended nor debarred for all contract awards.

This is currently a requirement for all contract containing any federal funding. Current office procedure is that research on the SAM website is performed and evidence is maintained in each contract file or saved to the electronic file folder as a PDF for each contract action, including all subsequent amendments.

Additionally, contract staff will confirm that whenever the exhibit that outlines the information required by 2 CFR 200.331 is necessary, that it is included and comprehensive. Contract staff will work with program customers if and when this is not the case. Discussions will transpire with contracts staff addressing this issue immediately.

Anticipated Completion Date: March 17, 2017

**2016-034 Department of Human Services/Oregon Health Authority
Strengthen Controls over Cost Allocation**

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Immunization Cooperative Agreements (93.268) ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624) Foster Care – Title IV-E (93.658) Adoption Assistance – Title IV-E (93.659) Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency
Prior Year Finding:	2015-028
Questioned Costs:	N/A

Criteria: 2 CFR 200.62, 2 CFR 200.400, 45 CFR 95.509(a) & (b)

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

The Department of Human Services (department) administers separate federally approved cost allocation plans for both the department and the Oregon Health Authority. The plans outline the methods used to allocate the various cost pools to federal programs.

To allocate the costs to the appropriate federal programs, the department applies statistics to each of the cost pools. The statistics can be based on random moment sampling survey results (surveys completed by agency staff to identify the programs they were working on at specified dates and times), historical financial expenditure data, or other non-financial data such as the number of program participants eligible for federal assistance.

Costs recorded in the cost pools include those related to services and supplies and personal services that are not directly charged to a single federal program. Supervisory review of these costs helps ensure only appropriate costs are charged to the cost pool.

We noted the following in our review:

- Allocation methods listed in the cost allocation plans submitted for federal approval were no longer used in the allocation process.

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

- The calculations for some of the random moment statistics did not agree to the details in the most recently submitted plans. Additionally, some of the random moment survey activity codes used in calculation of the March 2016 statistics were not included in the plans.
- Random moment survey results from November 2015 were used for the month of December 2015 as the results were not updated for the month.
- Four of the 60 timesheets tested did not have evidence of review.

The discrepancies we noted in our review are a result of changes to the allocation process that have not yet been incorporated into an update communicated to the federal oversight agency. However, a formal tracking mechanism was not in place during fiscal year 2016 to ensure all interim changes made by the department are included in subsequent communications with the federal oversight agency.

Without a formal tracking mechanism, there is the potential that not all interim changes will be included in plan updates communicated to the federal oversight agency for their approval. It is important all changes are communicated to the federal oversight agency to ensure the approval of any updates to the cost allocation plans cover the actual cost allocation process carried out by the department. Additionally, without adequate supervisory review of the costs entering the cost pools there is a risk of allocating unallowed costs.

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

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

Cost Allocation Plans and updates are prepared for submission no less than annually. Federal Cost Allocation Services (CAS) provides direction to the agency on when it is prepared to receive the next update. The Office of Financial Services has developed a tracking mechanism for the Cost Allocation Plan changes.

Agency policy requires managers to review monthly time sheets and approve through either electronic time lock through the e-time system or signature on a paper timesheet. In order to facilitate this process, reminders are currently being sent on a monthly basis to managers that have not locked time by the DHS/OHA Payroll Unit within the Office of Financial Services.

Anticipated Completion Date: March 14, 2017

**2016-035 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: 2016G992201; 2016, 2016G992205; 2016,
2016G992212; 2016, 2015G992201; 2015,
2015G992205; 2015, 2015G992212; 2015,
2015G992624; 2015
Compliance Requirement: Cash Management
Type of Finding: Material Weakness, Noncompliance
Prior Year Finding: 2015-030
Questioned Costs: \$423,877 (known)

Criteria: 31 CFR 205.33; 2 CFR 200.305(b)

Federal regulations require program costs be paid with recipient funds before reimbursement is requested from the federal government. Furthermore, when awards provide for advance payments, recipients must follow procedures to minimize the time between the drawdown of funds from the U.S. Treasury and expenditure of funds by the recipient. Funds should be drawn only to meet immediate cash needs for the program. These regulations include expectations for the department to monitor cash drawdowns by subrecipients to ensure subrecipients conform substantially to the same standards that apply to the department.

We judgmentally selected 86 requests for funds and found 28 requests were not accompanied by supporting documentation that provided enough detail to determine whether the requests represent reimbursement of costs already paid by the subrecipient. We also found not all advances of funds had adequate documentation to allow for review of the purpose or time period covered to ensure that a minimal amount of time lapses between advancement to and disbursement of funds by subrecipients. The total amount of sampled requests for funds that did not have adequate supporting documentation was \$423,877.

In addition to reviewing requests when they are received, the department has improved its reviews of subrecipient accounting records during annual site visits to verify requests for funds were in compliance with cash management requirements, but these visits have not yet occurred for expenditures reimbursed in fiscal year 2016. This has been an ongoing finding since fiscal year 2010.

We recommend department management finalize implementation of adequate controls to ensure subrecipient requests for funds are for reimbursements of program expenditures or are paid with advances that are for immediate needs of the program.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The agency agrees with this finding.

The agency will be refining controls in order to ensure detection of "red flags" when requests for funds are received. When detected, the agency will request further documentation and/or explanation to elaborate on the previously received supporting documentation that accompanies

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

each funding request. Further controls will ensure federal cash draws are for reimbursement of program expenditures. If the request is for an advance of federal funds, the agency will ensure the funds are for an immediate cash need of the subrecipient.

The agency has established strong controls in the monitoring of these requests when on-site visits occur. Supporting documentation is tested as part of the items monitored with emphasis on ensuring any funds advanced to a subrecipient are due to an immediate cash need and the time between the request and disbursement of funds is minimized. The agency's monitoring schedule for fiscal year 2016 did not occur until fiscal year 2017 which partially contributed to this finding.

Anticipated Completion Date: June 30, 2017

**2016-036 Oregon Housing and Community Services Department
Improve Reviews of Subrecipient Allocated Costs**

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: 2016G992201; 2016, 2016G992205; 2016, 2016G992212; 2016, 2015G992201; 2015, 2015G992205; 2015, 2015G992212; 2015, 2015G992624; 2015
Compliance Requirement: Allowable Costs/Cost Principles; Subrecipient Monitoring
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: 2015-029
Questioned Costs: \$501 (known)

Criteria: 2 CFR 200.331, 200.56, 200.403

The department passes most of its Low-Income Home Energy Assistance Program (LIHEAP) funds through to subrecipients who perform the majority of the program activities. Federal regulations require the department, as a recipient of federal awards, to monitor subrecipients to ensure that federal awards are used for allowable costs in compliance with laws, regulations, and terms and conditions of the awards. This includes ensuring subrecipients use cost allocation plans following general cost principles including that expenditures charged to the LIHEAP program are reasonable, equitably distributed, and adequately documented.

During fiscal year 2016 the department implemented new subrecipient fiscal monitoring procedures. We reviewed four subrecipient fiscal monitoring files that the department reviewed under the new monitoring procedures. All four files included a cost allocation plan that was reviewed to determine whether the plan was reasonable to equitably distribute expenditures. However, two of the files included allocations for depreciation expense, totaling \$465, which the department did not review to determine if the assets being depreciated met federal requirements for allowable depreciable costs. Additionally, one file included a monthly loan interest expense for building construction as an allocated cost in the amount of \$36, which is contrary to federal requirements that no LIHEAP funds are to be used for the purchase of any building.

We recommend department management ensure cost allocation plans of its subrecipients are sufficiently reviewed to determine the plans are fully compliant with applicable cost principles.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The agency agrees with this finding.

Cost allocations are being tested by the fiscal monitor during the annual subrecipient on-site monitoring visit to ensure costs are allocated on a reasonable basis and that basis is applied correctly. The agency intends to expand the scope of testing to include the review of depreciation and interest expenses to determine the allocability to the program.

Anticipated Completion Date: June 30, 2017

2016-037 Oregon Watershed Enhancement Board
Ensure Compliance with Subaward Reporting Under the Transparency Act

Federal Awarding Agency:	U.S. Department of Commerce National Oceanic and Atmospheric Administration
Program Title and CFDA Number:	Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty Program (11.438)
Federal Award Numbers and Year:	NA11NMF4380273; 2011, NA12NMF4380233; 2012, NA13NMF4380248; 2013, NA14NMF4380305; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR Part 170, Appendix A

Under the Federal Funding Accountability and Transparency Act (FFATA), the department is required to collect and report information on each subaward or amendment of \$25,000 or more in federal funds in the FFATA Subaward Reporting System.

During the fiscal year, the department passed-through over \$4.5 million to 85 subrecipients of which 50 were paid more than \$25,000 during the year. The department was unaware of the reporting requirement and did not prepare subaward reports in compliance with FFATA.

We recommend department management work with the Department of Commerce to determine how to correct for past reporting deficiencies and implement controls to ensure all FFATA reports for this program are submitted going forward.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with this recommendation.

The required data has been uploaded to the FFATA online database. The FFATA database indicated that OWEB was missing required data for NOA FFY10-17 and USFWS FFY10-17 awards. Based on the audit recommendation, OWEB established a process to upload data on a monthly

**Office of the Secretary of State, Audits Division
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

basis to the FFATA database for subawards obligated. OWEB will continually implement this newly established process to ensure compliance with federal requirements now and into the future.

**2016-038 Oregon Department of Fish and Wildlife
Supporting Documentation for Allocated Costs Not Maintained**

Federal Awarding Agency: U.S. Department of Commerce
National Oceanic and Atmospheric Administration
Program Title and CFDA Number: Pacific Coast Salmon Recovery Fund/Pacific Salmon
Treaty Program (11.438)
Federal Award Numbers and Year: NA15NMF4380237; 2016
Compliance Requirement: Allowable Costs/Cost Principles
Type of Finding: Significant Deficiency, Noncompliance
Prior Year Finding: N/A
Questioned Costs: \$4,577 (known); \$24,803 (likely)

Criteria: 2 CFR 200.403(g), 2 CFR 200.302(a), 2 CFR 200.405(d)

The Oregon Department of Fish and Wildlife (department) is responsible for maintaining documentation to support the allocation of costs across multiple federal awards when those costs provide benefits to multiple federal awards.

We reviewed 40 sample items and noted the department did not maintain adequate documentation to support the allocation of costs to the program for the following services:

- 1 sample item for garbage services in the amount of \$50.00;
- 1 sample item for internet services in the amount of \$183.23;
- 2 sample items for copier use services totaling \$104.05;
- 1 sample item for janitorial services in the amount of \$78.34; and
- 3 sample items for vehicle use charges totaling \$4,161.49.

Without documentation to support the allocation of these costs to the program, questioned costs totaled \$4,577.11 and projected costs to the services and supplies population are estimated at \$24,802.76.

We recommend department management maintain documentation that supports the allocation of shared costs to ensure they are in compliance with allowable cost principles.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The department will review its treatment of cost allocation documentation to ensure it is readily accessible and maintained in accordance with applicable requirement. Based on the results of this review, the department will initiate changes as necessary to ensure compliance.

Anticipated Completion Date: July 1, 2017

**2016-039 Oregon Department of Fish and Wildlife
Establish Controls Over Financial Reporting**

Federal Awarding Agency: U.S. Department of Commerce
National Oceanic and Atmospheric Administration
Program Title and CFDA Number: Pacific Coast Salmon Recovery Fund/Pacific Salmon
Treaty Program (11.438)
Federal Award Numbers and Year: NA15NMF4380185; 2016, NA15NMF4380186; 2016,
NA15NMF4380172; 2015, NA16NMF4380171; 2016
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency
Prior Year Finding: N/A
Questioned Costs: N/A

Criteria: 2 CFR 200.303(a)

The Oregon Department of Fish and Wildlife (department) is responsible for establishing controls to ensure the Federal Financial Report (SF-425) includes all activity of the reporting period, is supported by applicable accounting records, and is fairly presented in accordance with program requirements.

The department has a single employee prepare the SF-425 reports, upload them to the Grants Online system, and certify that the reports are complete and accurate. Although the department has established controls to ensure their expenditure tracking system reconciles to the accounting records, there is no control in place to ensure the accurate preparation of the SF-425 reports.

We recommend department management establish controls to ensure they are in compliance with federal regulations.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the recommendation.

The department will review its existing system of internal controls to ensure applicable requirements and objectives are being met. Based on the results of this review, the department will initiate changes as necessary to provide reasonable assurance that the department's resources are being effectively deployed regarding the achievement of objectives in the following categories:

- *Effectiveness and efficiency of program operations*
- *Reliability of financial reporting*
- *Compliance with applicable laws and regulations*

Anticipated Completion Date: December 31, 2017

**State of Oregon
Schedule of Expenditures of
Federal Awards
For the Year Ended
June 30, 2016**

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Department of Agriculture					
10.001	Agricultural Research_Basic and Applied Research		\$ -	\$ 21,621	\$ 21,621
10.025	Plant and Animal Disease, Pest Control, and Animal Care Pass Through from: Oregon State University <i>Total 10.025</i>	4575900000000	-	<i>3,231,141</i> <u>3,000</u>	3,234,141
10.028	Wildlife Services		-	21,163	21,163
10.069	Conservation Reserve Program		183,145	-	183,145
10.093	Voluntary Public Access and Habitat Incentive Program		-	35,005	35,005
10.170	Specialty Crop Block Grant Program - Farm Bill		1,338,255	502,229	1,840,484
10.171	Organic Certification Cost Share Programs		-	274,921	274,921
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		17,874,722	54,297,423	72,172,145
10.558	Child and Adult Care Food Program		36,058,121	449,143	36,507,264
10.560	State Administrative Expenses for Child Nutrition		13,769	3,049,168	3,062,937
10.567	Food Distribution Program on Indian Reservations		81,377	5,350	86,727
10.574	Team Nutrition Grants		-	32,821	32,821
10.576	Senior Farmers Market Nutrition Program		-	794,102	794,102
10.578	WIC Grants to States (WGS)		9,109	8,799	17,908
10.579	Child Nutrition Discretionary Grants Limited Availability		198,253	-	198,253
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants		-	223,816	223,816
10.582	Fresh Fruit and Vegetable Program		2,579,599	15,813	2,595,412
10.598	Supplemental Nutrition Assistance Program (SNAP) Recipient Trafficking Prevention Grants		-	46,416	46,416
10.604	Technical Assistance for Specialty Crops Program		-	76,372	76,372
10.652	Forestry Research		-	39,769	39,769
10.664	Cooperative Forestry Assistance Pass Through from: USDA Forest Service <i>Total 10.664</i>	1939999999999	<i>67,034</i> <u>-</u>	<i>5,635,644</i> <u>1,014</u>	5,703,692
10.674	Wood Utilization Assistance		-	195,173	195,173
10.676	Forest Legacy Program		-	3,047,011	3,047,011
10.678	Forest Stewardship Program		-	96,210	96,210
10.679	Collaborative Forest Restoration		-	1,723	1,723

10.680	Forest Health Protection	-	1,136,868	1,136,868
10.868	Rural Energy for America Program	-	20,353	20,353
10.902	Soil and Water Conservation	-	256,093	256,093
10.912	Environmental Quality Incentives Program	-	50,000	50,000
10.U01	11 CS 11060600 003	-	17,453	17,453
10.U02	2014 CS 11061500 006	-	5,200	5,200
10.U03	AG 04T0 P 15 0029	-	6,102	6,102
SNAP Cluster				
10.551	Supplemental Nutrition Assistance Program	\$ -	\$ 1,093,739,829	\$ 1,093,739,829
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	-	99,350,977	99,350,977
Total SNAP Cluster		\$ -	\$ 1,193,087,806	\$ 1,193,087,806
Child Nutrition Cluster				
10.553	School Breakfast Program	\$ 38,210,692	\$ 345,526	\$ 38,556,218
10.555	National School Lunch Program	129,866,902	714,013	130,580,915
10.556	Special Milk Program for Children	97,360	-	97,360
10.559	Summer Food Service Program for Children	6,201,881	5,110,894	11,312,775
Total Child Nutrition Cluster		\$ 174,376,835	\$ 6,170,433	\$ 180,547,268
Food Distribution Cluster				
10.565	Commodity Supplemental Food Program	\$ 396,490	\$ -	\$ 396,490
10.568	Emergency Food Assistance Program (Administrative Costs)	151,765	19,415	171,180
10.569	Emergency Food Assistance Program (Food Commodities)	7,770,315	-	7,770,315
Total Food Distribution Cluster		\$ 8,318,570	\$ 19,415	\$ 8,337,985
Forest Service Schools and Roads Cluster				
10.665	Schools and Roads - Grants to States	\$ 53,864,484	\$ -	\$ -
	Pass Through from: Clackamas County	1936002286000	-	39,400
	Pass through from: Jackson County	1936002298000	-	110,157
	Pass through from: Linn County	1936002305000	-	146,718
	Pass Through from: Tillamook County	1936002312000	-	2,106
	<i>Total 10.665</i>			54,162,865
Total Forest Service Schools and Roads Cluster		\$ 53,864,484	\$ 298,381	\$ 54,162,865
Total Department of Agriculture		\$ 294,963,273	\$ 1,273,172,951	\$ 1,568,136,224

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Department of Commerce					
11.008	NOAA Mission-Related Education Awards		\$ -	\$ 32,769	\$ 32,769
11.407	Interjurisdictional Fisheries Act of 1986		-	-	
	Pass Through from: Pacific States Marine Fish	936002376	-	150,353	
	<i>Total 11.407</i>				150,353
11.419	Coastal Zone Management Administration Awards		18,698	1,647,572	
	Pass Through from: University of New Hampshire	1026000937 000	-	18,455	
	<i>Total 11.419</i>				1,684,725
11.420	Coastal Zone Management Estuarine Research Reserves		-	605,266	605,266
11.436	Columbia River Fisheries Development Program		-	4,954,949	4,954,949
11.437	Pacific Fisheries Data Program		-	-	
	Pass Through from: Pacific States Marine Fish	936002376	-	970,166	
	<i>Total 11.437</i>				970,166
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		4,546,564	6,212,198	
	Pass Through from: Pacific Salmon Commission	9909840528	-	388	
	<i>Total 11.438</i>				10,759,150
11.439	Marine Mammal Data Program		-	15,808	
	Pass Through from: Pacific States Marine Fish	936002376	-	22,336	
	<i>Total 11.439</i>				38,144
11.441	Regional Fishery Management Councils		-	-	
	Pass Through from: Pacific Fishery Mgmt. Council	910982918	-	68,301	
	Pass Through from: North Pacific Fishery Mgmt.	920060367	-	45,766	
	Pass Through from: Pacific States Marine Fish	936002376	-	48,875	
	<i>Total 11.441</i>				162,942
11.463	Habitat Conservation		-	148,876	148,876
11.467	Meteorologic and Hydrologic Modernization Development		-	157,783	157,783
11.472	Unallied Science Program		-	24,583	24,583
11.549	State and Local Implementation Grant Program		-	633,598	633,598

11.U01	14 16		-	-	
	Pass Through from: Pacific States Marine Fish	936002376	-	57,697	
	<i>Total 11.U01</i>				57,697
11.U02	14 25		-	-	
	Pass Through from: Pacific States Marine Fish	936002376	-	(4,581)	
	<i>Total 11.U02</i>				(4,581)
11.U03	15 20G		-	-	
	Pass Through from: Pacific States Marine Fish	936002376	-	(7,197)	
	<i>Total 11.U03</i>				(7,197)
11.U04	43-026-0936001720		-	14,675	14,675
11.U05	OR BASE2013		-	-	
	Pass Through from: Pacific Salmon Commission	9909840528	-	(144)	
	<i>Total 11.U05</i>				(144)
11.U06	RA 133F 14 SE 3677		-	2,182	2,182
Economic Development Cluster					
11.307	Economic Adjustment Assistance		\$ -	\$ 7,707,861	\$ 7,707,861
Total Economic Development Cluster			\$ -	\$ 7,707,861	\$ 7,707,861
Research and Development Cluster					
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		\$ -	\$ 133,172	\$ 133,172
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes		-	-	
	Pass Through from: Oregon State University	NB244R-A	-	27,690	
	<i>Total 11.432</i>				27,690
Total Research and Development Cluster			\$ -	\$ 160,862	\$ 160,862
Total Department of Commerce			\$ 4,565,262	\$ 23,689,397	\$ 28,254,659
Department of Defense					
12.106	Flood Control Projects		\$ 25,697	\$ 389,120	\$ 414,817

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		-	57,859	57,859
12.401	National Guard Military Operations and Maintenance (O&M) Projects		-	35,915,469	35,915,469
12.404	National Guard ChalleNGe Program		-	4,723,643	4,723,643
12.U01	1000		-	243,789	243,789
12.U02	W911SR1320002		-	21,664	21,664
12.U03	W9127 N 12 2 0004		-	233,499	233,499
12.U04	W9127N 10 2 0008		-	2,865	2,865
12.U05	W9127N 10 2 00080019		-	496,770	496,770
12.U06	W9127N 102 0008 0032		-	190,339	190,339
12.U07	W9127N 12 2 00040004		-	19,945	19,945
12.U08	W9127N 12 2 00040006		-	413,668	413,668
12.U09	W9127N 12 2 00040007		-	6,450	6,450
12.U10	W9127N 12 2 00040010		-	234,823	234,823
12.U11	W9127N 12 2 00041003		-	721,662	721,662
12.U12	W9127N 12 2 00041005		-	414,752	414,752
12.U13	W9127N 12 2 00041007		-	1,081,088	1,081,088
12.U14	W9127N 12 2 00041008		-	218,600	218,600
12.U15	W9127N 12 2 00041011		-	323,837	323,837
12.U16	W9127N 12 2 00043003		-	180,435	180,435
12.U17	W9127N 12 2 0005		-	64,324	64,324
12.U18	W9127N 12 2 10041004		-	570,414	570,414
12.U19	W9127N 122 0004 1013		-	412,073	412,073
12.U20	W9127N09200070010		-	126,873	126,873
12.U21	W9127N10 2 0008 0020		-	87,623	87,623
12.U22	W9127N10 2 0008 0022		-	267,038	267,038
12.U23	W9127N10 2 0008 0024		-	(2,228)	(2,228)
12.U24	W9127N10200080037		-	85,668	85,668
12.U25	W9127N10200080038		-	51,543	51,543
12.U26	W9127N12200041001		-	1,314,992	1,314,992
12.U27	W9127N12200041002		-	1,274,953	1,274,953
12.U28	W9127N12200041009		-	545,384	545,384
12.U29	W9127N12200043001		-	160,002	160,002
12.U30	W9127N12200043015		-	141,952	141,952
12.U31	W9127N12200043016		-	136,325	136,325
12.U32	W9127N12200043017		-	18,508	18,508

12.U33	W9127N12200043018		-	58,510	58,510
12.U34	W9127N1320002		-	97,570	97,570
12.U35	W9127N13200020003		-	20,000	20,000
Total Department of Defense			\$ 25,697	\$ 51,321,801	\$ 51,347,498
Department of Housing and Urban Development					
14.228	Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii		\$ 11,779,545	\$ 310,378	\$ 12,089,923
14.231	Emergency Solutions Grants Program		1,555,880	87,125	1,643,005
14.235	Supportive Housing Program		-	80,992	80,992
14.239	Home Investment Partnerships Program		2,080,493	7,472,621	-
	Pass Through from: City of Salem		-	47,666	
	<i>Total 14.239</i>				9,600,780
14.241	Housing Opportunities for Persons with AIDS	40000000000011	381,838	914,377	1,296,215
14.256	Neighborhood Stabilization Program		-	3,627	3,627
14.400	Equal Opportunity in Housing		-	264,969	264,969
14.U01	B08DN410001		74,511	14,267	88,778
Total Department of Housing and Urban Development			\$ 15,872,267	\$ 9,196,022	\$ 25,068,289
Department of the Interior					
15.214	Non-Sale Disposals of Mineral Material		\$ 118,161	\$ -	\$ 118,161
15.225	Recreation Resource Management		245,622	25,029	270,651
15.227	Distribution of Receipts to State and Local Governments		159,639	-	159,639
15.228	BLM Wildland Urban Interface Community Fire Assistance		-	4,101	4,101
15.231	Fish, Wildlife and Plant Conservation Resource Management		-	2,092,164	2,092,164
15.234	Secure Rural Schools and Community Self-Determination		-	85,859	
	Pass Through from: Josephine County	1936002300	-	151,316	
	<i>Total 15.234</i>				237,175
15.236	Environmental Quality and Protection Resource Management		-	19,186	19,186
15.238	Challenge Cost Share		-	24,808	24,808
15.242	BLM Rural Fire Assistance		-	13,992	13,992
15.504	Title XVI Water Reclamation and Reuse Program		-	167,214	167,214
15.517	Fish and Wildlife Coordination Act		-	218,735	218,735
15.614	Coastal Wetlands Planning, Protection and Restoration		325,830	34,179	360,009
15.615	Cooperative Endangered Species Conservation Fund		333,724	152,906	486,630

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
15.616	Clean Vessel Act Program		223,530	95,905	319,435
15.622	Sportfishing and Boating Safety Act		21,419	55	21,474
15.626	Enhanced Hunter Education and Safety Program		124,504	27,124	151,628
15.634	State Wildlife Grants		20,809	675,628	696,437
15.657	Endangered Species Conservation - Recovery Implementation Funds		-	221,413	221,413
15.661	Lower Snake River Compensation Plan		-	3,505,342	3,505,342
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention		53,716	-	53,716
15.808	U.S. Geological Survey_Research and Data Collection		-	325,490	325,490
15.810	National Cooperative Geologic Mapping		-	162,271	162,271
15.817	National Geospatial Program: Building The National Map		-	528,850	528,850
15.904	Historic Preservation Fund Grants-In-Aid		168,055	649,536	817,591
15.916	Outdoor Recreation_Acquisition, Development and Planning		166,597	44,105	210,702
15.U01	4112GP572		-	2,292	2,292
15.U02	F14AF00011		24,264	-	24,264
15.U03	F14AP00035		-	57,150	57,150
15.U04	F15AP00145		-	(3,594)	(3,594)
15.U05	F15AP00638		225,564	26,474	252,038
15.U06	L09AC16024L14AC00034		-	8,300	8,300
15.U07	L10AC20502		-	12,216	12,216
15.U08	LOPTX		-	3,699	3,699
15.U09	P15AP01111		10,433	-	10,433
15.U10	R13AP11036		-	77,967	77,967
15.U11	R13AP13007		-	168,949	168,949
15.U12	USFW AGMT NAT HERIT		-	123,470	123,470
Fish and Wildlife Cluster					
15.605	Sport Fish Restoration Program		\$ 714,943	\$ 6,168,583	\$ 6,883,526
15.611	Wildlife Restoration and Basic Hunter Education		3,000	11,958,375	11,961,375
Total Fish and Wildlife Cluster			\$ 717,943	\$ 18,126,958	\$ 18,844,901
Total Department of the Interior			\$ 2,939,810	\$ 27,829,089	\$ 30,768,899
Department of Justice					
16.017	Sexual Assault Services Formula Program		\$ 233,097	\$ 11,802	\$ 244,899
16.021	Justice Systems Response to Families		-	168,050	168,050

16.523	Juvenile Accountability Block Grants		108,037	4,770	112,807
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States		158,415	184,380	342,795
16.543	Missing Children's Assistance		-	341,310	341,310
16.548	Title V_ Delinquency Prevention Program		6,748	133	6,881
16.550	State Justice Statistics Program for Statistical Analysis Centers		-	49,029	49,029
16.575	Crime Victim Assistance		8,078,461	491,622	8,570,083
16.576	Crime Victim Compensation		-	1,137,334	1,137,334
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		-	88,920	88,920
16.582	Crime Victim Assistance/Discretionary Grants		10,603	4,214	14,817
16.585	Drug Court Discretionary Grant Program		-	-	
	Pass Through from: Harney County	1023	-	10,964	
	Pass Through from: Marion County	1029	-	98,982	
	Pass Through from: Josephine County	1018	-	4,623	
	<i>Total 16.585</i>				114,569
16.588	Violence Against Women Formula Grants		1,484,914	269,105	1,754,019
16.593	Residential Substance Abuse Treatment for State Prisoners		132,049	(11,626)	120,423
16.595	Community Capacity Development Office		-	48,762	48,762
16.606	State Criminal Alien Assistance Program		-	1,602,510	1,602,510
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities		61,033	305,369	366,402
16.738	Edward Byrne Memorial Justice Assistance Grant Program		\$ 367,883	\$ 259,754	\$
	Pass Through from: Columbia River Partnerships	1034	-	2,975	
	Pass Through from: Lutheran Community Services NW	1024	-	(12,357)	
	Pass Through from: Mid-Willamette Val Commaction	1031	-	224,810	
	Pass Through from: Union County	1011	-	2,903	
	Pass Through from: Criminal Justice Commission	1039	-	7,193	
	<i>Total 16.738</i>				853,161
16.741	DNA Backlog Reduction Program		-	400,161	400,161
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		-	100,017	100,017
16.750	Support for Adam Walsh Act Implementation Grant Program		-	173,253	173,253
16.754	Harold Rogers Prescription Drug Monitoring Program		21,167	5,874	27,041
16.813	NICS Act Record Improvement Program		-	631,951	631,951
16.816	John R. Justice Prosecutors and Defenders Incentive Act		-	32,090	32,090
16.826	Vision 21		-	41,684	41,684

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
16.827	Justice Reinvestment Initiative		801,941	75,939	877,880
16.922	Equitable Sharing Program		57,870	(195,129)	(137,259)
Total Department of Justice			\$ 11,522,218	\$ 6,561,371	\$ 18,083,589
Department of Labor					
17.002	Labor Force Statistics		-	1,234,368	1,234,368
17.005	Compensation and Working Conditions		-	143,428	143,428
17.225	Unemployment Insurance		-	601,268,840	601,268,840
17.235	Senior Community Service Employment Program		1,209,297	35,751	1,245,048
17.245	Trade Adjustment Assistance		-	8,270,654	8,270,654
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects		-	338,482	338,482
17.268	H-1B Job Training Grants		-	35,131	35,131
17.271	Work Opportunity Tax Credit Program (WOTC)		-	232,464	232,464
17.273	Temporary Labor Certification for Foreign Workers		-	158,351	158,351
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants		2,948,088	371,427	3,319,515
17.281	WIO/WIOA Dislocated Worker National Reserve Technical Assistance and Training		-	11,848	11,848
17.503	Occupational Safety and Health_State Program		-	3,906,200	3,906,200
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities		-	8,630,404	8,630,404
17.801	Disabled Veterans' Outreach Program (DVOP)		-	2,354,866	2,354,866
17.804	Local Veterans' Employment Representative Program		-	269,895	269,895
Total Employment Service Cluster			\$ -	\$ 11,255,165	\$ 11,255,165
WIA/WIOA Cluster					
17.258	WIA/WIOA Adult Program		8,771,303	675,695	9,446,998
17.259	WIA/WIOA Youth Activities		9,145,153	441,979	9,587,132
17.278	WIA/WIOA Dislocated Worker Formula Grants		10,237,848	1,892,864	12,130,712
Total WIA/WIOA Cluster			\$ 28,154,304	\$ 3,010,538	\$ 31,164,842
Total Department of Labor			\$ 32,311,689	\$ 630,272,647	\$ 662,584,336
Department of Transportation					
20.106	Airport Improvement Program		-	2,026,802	2,026,802

20.200	Highway Research and Development Program		283,505	-	283,505
20.232	Commercial Driver's License Program Improvement Grant		-	428,104	428,104
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort		-	25,000	25,000
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants		785,591	597,680	1,383,271
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		203,548	403,814	607,362
20.509	Formula Grants for Rural Areas		12,118,361	1,870,091	13,988,452
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program		-	624,650	624,650
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		411,439	234,105	645,544
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		-	76,073	
	Pass Through from: Safe States Alliance	40000000000018	-	22,914	
	<i>Total 20.614</i>				98,987
20.700	Pipeline Safety Program State Base Grant		-	435,281	435,281
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		14,455	209,760	224,215
20.933	National Infrastructure Investments		-	3,098,699	3,098,699
Highway Planning and Construction Cluster					
20.205	Highway Planning and Construction		\$ 25,432,205	\$ 453,685,285	\$ -
	Pass Through from: Oregon State University	1611730890 3	-	265	
	<i>Total 20.205</i>				479,117,755
20.219	Recreational Trails Program		1,013,493	185,865	1,199,358
Total Highway Planning and Construction Cluster			\$ 26,445,698	\$ 453,871,415	\$ 480,317,113
Federal Transit Cluster					
20.500	Federal Transit_Capital Investment Grants		\$ 464,757	\$ -	\$ 464,757
20.507	Federal Transit_Formula Grants		-	2,803,206	2,803,206
20.526	Bus and Bus Facilities Formula Program		1,768,680	-	1,768,680
Total Federal Transit Cluster			\$ 2,233,437	\$ 2,803,206	\$ 5,036,643
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		\$ 13,078,741	\$ 859,249	\$ 13,937,990
Total Transit Services Programs Cluster			\$ 13,078,741	\$ 859,249	\$ 13,937,990

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Highway Safety Cluster					
20.600	State and Community Highway Safety		\$ 649,342	\$ 1,629,085	\$ 2,278,427
20.616	National Priority Safety Programs		1,221,633	1,280,762	2,502,395
Total Highway Safety Cluster			\$ 1,870,975	\$ 2,909,847	\$ 4,780,822
Total Department of Transportation			\$ 57,445,750	\$ 470,496,690	\$ 527,942,440
Department of the Treasury					
21.U01	ASSET FORFEITURE		\$ -	\$ 173,780	\$ 173,780
21.U02	NFMC		93,735	13,711	107,446
Total Department of the Treasury			\$ 93,735	\$ 187,491	\$ 281,226
Equal Employment Opportunity Commission					
30.001	Employment Discrimination_Title VII of the Civil Rights Act of 1964		\$ -	\$ 438,961	\$ 438,961
Total Equal Employment Opportunity Commission			\$ -	\$ 438,961	\$ 438,961
General Services Administration					
39.002	Disposal of Federal Surplus Real Property		\$ 38,123	\$ -	\$ 38,123
39.003	Donation of Federal Surplus Personal Property		928,379	134,631	1,063,010
Total General Services Administration			\$ 966,502	\$ 134,631	\$ 1,101,133
National Endowment for the Arts					
45.025	Promotion of the Arts_Partnership Agreements		\$ 748,590	\$ 56,760	\$ 805,350
Total National Endowment for the Arts			\$ 748,590	\$ 56,760	\$ 805,350
Institute Of Museum and Library Services					
45.301	Museums for America		\$ -	\$ 4,003	\$ 4,003
45.310	Grants to States		725,004	1,253,413	1,978,417
Total Institute Of Museum and Library Services			\$ 725,004	\$ 1,257,416	\$ 1,982,420
Small Business Administration					
59.061	State Trade Expansion		\$ 285,275	\$ 26,317	\$ 311,592
Total Small Business Administration			\$ 285,275	\$ 26,317	\$ 311,592

Department of Veterans Affairs

64.005	Grants to States for Construction of State Home Facilities	\$	-	\$	666,920	\$	666,920
64.015	Veterans State Nursing Home Care		-		16,069,412		16,069,412
64.035	Veterans Transportation Program		413,645		46,861		460,506
64.125	Vocational and Educational Counseling for Servicemembers and Veterans		-		32,504		32,504
64.U01	231301		-		5,186		5,186
Total Department of Veterans Affairs		\$	413,645	\$	16,820,883	\$	17,234,528

Environmental Protection Agency

66.032	State Indoor Radon Grants	\$	-	\$	65,859	\$	65,859
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		62,986		797,244		860,230
66.039	National Clean Diesel Emissions Reduction Program		861,014		8,421		869,435
66.040	State Clean Diesel Grant Program		100,926		6,747		107,673
66.432	State Public Water System Supervision		403,440		899,700		1,303,140
66.454	Water Quality Management Planning		-		178,166		178,166
66.460	Nonpoint Source Implementation Grants		578,636		-		578,636
66.461	Regional Wetland Program Development Grants		-		31,780		31,780
66.472	Beach Monitoring and Notification Program Implementation Grants		-		223,513		223,513
66.605	Performance Partnership Grants		-		9,042,872		9,042,872
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		-		233,308		233,308
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		-		499,112		499,112
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		-		146,853		146,853
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		-		279,185		279,185
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		-		379,931		379,931
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		-		1,054,000		1,054,000
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		-		113,629		113,629
66.817	State and Tribal Response Program Grants		-		975,889		975,889
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		552,552		38,704		591,256

Clean Water State Revolving Fund Cluster

66.458	Capitalization Grants for Clean Water State Revolving Funds	\$	20,313,450	\$	-	\$	20,313,450
Total Clean Water State Revolving Fund Cluster		\$	20,313,450	\$	-	\$	20,313,450

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Drinking Water State Revolving Fund Cluster					
66.468	Capitalization Grants for Drinking Water State Revolving Funds		\$ 8,931,781	\$ 2,926,291	\$ 11,858,072
Total Drinking Water State Revolving Fund Cluster			\$ 8,931,781	\$ 2,926,291	\$ 11,858,072
Total Environmental Protection Agency			\$ 31,804,785	\$ 17,901,204	\$ 49,705,989
Department of Energy					
81.041	State Energy Program		\$ -	\$ 465,511	\$ 465,511
81.042	Weatherization Assistance for Low-Income Persons		2,263,041	174,910	2,437,951
81.087	Renewable Energy Research and Development		-	88,074	88,074
81.104	Environmental Remediation and Waste Processing and Disposal		42,690	845,287	887,977
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions		-	6,371	-
	Pass Through from: Western Governors' Association	00000000000045	12,422	69,036	
	<i>Total 81.106</i>				87,829
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		-	-	
	Pass Through from: WA State Dept. of Commerce	6000	-	28,153	
	<i>Total 81.117</i>				28,153
81.119	State Energy Program Special Projects		-	6,362	6,362
81.U01	62911		557,834	36,139	593,973
81.U02	12 48		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	33,200	
	<i>Total 81.U02</i>				33,200
81.U03	13 46		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	20,627	
	<i>Total 81.U03</i>				20,627
81.U04	13 47		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	52,856	
	<i>Total 81.U04</i>				52,856

81.U05	13 52		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	(1,079)	
	<i>Total 81.U05</i>				(1,079)
81.U06	13 67		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	160,647	
	<i>Total 81.U06</i>				160,647
81.U07	13 68		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	264,396	
	<i>Total 81.U07</i>				264,396
81.U08	13 77		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	694,638	
	<i>Total 81.U08</i>				694,638
81.U09	14 41		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	422,191	
	<i>Total 81.U09</i>				422,191
81.U10	14 67		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	44,266	
	<i>Total 81.U10</i>				44,266
81.U11	16 60G		-	-	
	Pass Through from: Pacific States Marine Fish Com	936002376	-	31,499	
	<i>Total 81.U11</i>				31,499
81.U12	1984 025 00		-	280,453	280,453
81.U13	1992 026 01		-	252	252
81.U14	1992 026 04		-	947,016	947,016
81.U15	1993 066 00 59142		-	1,202,398	1,202,398
81.U16	1994 042 00		-	272,732	272,732
81.U17	1998 016 00		-	530,544	530,544
81.U18	2007 299 0060985		-	257,959	257,959
81.U19	2010 035 00		-	188,423	188,423
81.U20	2011 004 00		-	179,656	179,656
81.U21	44552		-	(2)	(2)

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
81.U22	56429021 0060620		205,256	324,367	529,623
81.U23	59270		-	98,685	98,685
81.U24	594451993 040 00		-	248,581	248,581
81.U25	602121993 066 00		-	843,793	843,793
81.U26	603261998 007 04		-	177,885	177,885
81.U27	606292011 006 00		-	144,674	144,674
81.U28	60848		-	138,647	138,647
81.U29	625382011 004 00		-	617,664	617,664
81.U30	62559 1988 053 04		-	405,324	405,324
81.U31	62674 1988 053 08		-	155,335	155,335
81.U32	62683		-	98,378	98,378
81.U33	628722007 404 00		-	49,290	49,290
81.U34	63090 2007 404 00		-	72,349	72,349
81.U35	63178 1988 053 08		-	129,383	129,383
81.U36	63186		-	1,171,180	1,171,180
81.U37	63214 2007 402 00		-	65,714	65,714
81.U38	63235		-	60,185	60,185
81.U39	632371993 060 00		-	789,129	789,129
81.U40	63378		-	916,490	916,490
81.U41	63486		-	398,347	398,347
81.U42	63516		-	302,140	302,140
81.U43	63517		-	515,766	515,766
81.U44	63615		-	281,126	281,126
81.U45	636161996 040 00		-	31,978	31,978
81.U46	64769		-	119,389	119,389
81.U47	70589		593,121	102,316	695,437
81.U48	IGA 402 000		-	-	
	Pass Through from: Confed Tribes Umatilla Indian	930624734	-	125,496	
	Total 81.U48				125,496
81.U49	T 17328 16		-	-	
	Pass Through from: Confed Tribes Warm Springs Ind	390383362	-	14,455	
	Total 81.U49				14,455
Total Department of Energy			\$ 3,674,364	\$ 15,700,581	\$ 19,374,945

Department of Education

84.002	Adult Education - Basic Grants to States	\$	6,374,440	\$	929,454	\$	7,303,894
84.010	Title I Grants to Local Educational Agencies		140,856,658		1,476,704		142,333,362
84.011	Migrant Education_State Grant Program		8,324,123		1,423,216		9,747,339
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		1,285,681		17,192		1,302,873
84.048	Career and Technical Education -- Basic Grants to States		11,796,132		1,631,397		13,427,529
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States		-		58,326,863		58,326,863
84.144	Migrant Education_Coordination Program		-		27,824		27,824
84.169	Independent Living_State Grants		-		(3,139)		(3,139)
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind		-		404,318		404,318
84.181	Special Education-Grants for Infants and Families		4,410,416		211,192		4,621,608
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		-		449,523		449,523
84.196	Education for Homeless Children and Youth		491,323		132,265		623,588
84.265	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training		-		43,384		43,384
84.282	Charter Schools		218,396		57,509		275,905
84.287	Twenty-First Century Community Learning Centers		10,837,682		355,326		11,193,008
84.305	Education Research, Development and Dissemination		-		21,016		21,016
84.323	Special Education - State Personnel Development		1,059,198		956,886		2,016,084
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		-		112,948		112,948
84.358	Rural Education		1,365,991		97,561		1,463,552
84.365	English Language Acquisition State Grants		6,266,783		381,451		6,648,234
84.366	Mathematics and Science Partnerships		2,086,593		144,572		2,231,165
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)		22,275,511		555,442		22,830,953
84.368	Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)		-		2,585,043		2,585,043
84.369	Grants for State Assessments and Related Activities		-		5,096,472		5,096,472
84.384	Statewide Data Systems, Recovery Act		-		97,877		97,877
84.412	Race to the Top Early Learning Challenge		5,689,869		3,195,769		8,885,638
84.U01	R384A100053		-		185,407		185,407
84.U02	66853		-		32,440		32,440
84.U03	68000		-		9,165		9,165
84.U04	ED08CO0071		-		336		336
84.U05	EDIES14C0097		-		139,749		139,749

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Special Education Cluster (IDEA) Cluster					
84.027	Special Education_Grants to States		\$ 124,254,965	\$ 6,731,031	\$ 130,985,996
84.173	Special Education_Preschool Grants		3,376,531	196,546	3,573,077
Total Special Education Cluster (IDEA) Cluster			\$ 127,631,496	\$ 6,927,577	\$ 134,559,073
School Improvement Grants Cluster					
84.377	School Improvement Grants		\$ 3,020,561	\$ 133,353	\$ 3,153,914
Total School Improvement Grants Cluster			\$ 3,020,561	\$ 133,353	\$ 3,153,914
Total Department of Education			\$ 353,990,853	\$ 86,156,092	\$ 440,146,945
Elections Assistance Commission					
90.401	Help America Vote Act Requirements Payments		\$ 25,958	\$ 1,159,234	\$ 1,185,192
Total Elections Assistance Commission			\$ 25,958	\$ 1,159,234	\$ 1,185,192
Department of Health and Human Services					
93.041	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation		\$ 36,827	\$ -	\$ 36,827
93.042	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals		-	219,793	219,793
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services		217,296	-	217,296
93.048	Special Programs for the Aging_Title IV_and Title II_DiscretionaryProjects		75,041	136,765	211,806
93.051	Alzheimer's Disease Demonstration Grants to States		211,408	4,716	216,124
93.052	National Family Caregiver Support, Title III, Part E		1,730,059	119,076	1,849,135
93.069	Public Health Emergency Preparedness		3,523,942	3,442,756	6,966,698
93.070	Environmental Public Health and Emergency Response		40,202	1,554,114	1,594,316
93.071	Medicare Enrollment Assistance Program		196,394	27,101	223,495
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		-	21,206	21,206
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		636,911	149,394	786,305
93.082	Sodium Reduction in Communities		354,771	146,226	500,997
93.088	Advancing System Improvements for Key Issues in Women's Pass Through from: Futures Without Violence	40000000000012	-	-	
	<i>Total 93.088</i>		-	<u>134,381</u>	134,381

93.089	Emergency System for Advance Registration of Volunteer Health Professionals	-	(400)	(400)
93.090	Guardianship Assistance	-	7,238,081	7,238,081
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	322,588	278,153	600,741
93.103	Food and Drug Administration_Research	-	624,672	624,672
93.110	Maternal and Child Health Federal Consolidated Programs	-	258,812	258,812
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	183,958	515,662	699,620
93.127	Emergency Medical Services for Children	-	84,726	84,726
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	193,897	193,897
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	-	-	-
	Pass Through from: Oregon State University	30000000000004	55,000	
	<i>Total 93.135</i>			55,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	115,887	1,285,027	1,400,914
93.150	Projects for Assistance in Transition from Homelessness (PATH)	584,348	9,968	594,316
93.161	Health Program for Toxic Substances and Disease Registry	4,859	(25,309)	(20,450)
93.197	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	30,000	278,225	308,225
93.217	Family Planning_Services	1,887,046	564,031	2,451,077
93.235	Affordable Care Act (ACA) Abstinence Education Program	35,964	391,274	427,238
93.236	Grants to States to Support Oral Health Workforce Activities	-	238,475	238,475
93.240	State Capacity Building	-	417,002	417,002
93.241	State Rural Hospital Flexibility Program	-	-	-
	Pass Through from: Oregon Health & Science University	20000000000011	29,325	
	<i>Total 93.241</i>			29,325
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	903,707	1,042,337	1,946,044
93.251	Universal Newborn Hearing Screening	-	257,092	257,092
93.262	Occupational Safety and Health Program	28,814	335,582	364,396
93.268	Immunization Cooperative Agreements	-	45,609,117	45,609,117
93.270	Adult Viral Hepatitis Prevention and Control	-	130,082	130,082
93.275	Substance Abuse and Mental Health Services-Access to Recovery	-	1,137,179	1,137,179
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	211,827	6,824,714	7,036,541
93.317	Emerging Infections Programs	-	34,384	34,384

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases		-	1,118,712	1,118,712
93.324	State Health Insurance Assistance Program		-	40,098	40,098
93.336	Behavioral Risk Factor Surveillance System		-	41,627	41,627
93.369	ACL Independent Living State Grants		-	455,829	455,829
93.464	ACL Assistive Technology		401,083	2,500	403,583
93.500	Pregnancy Assistance Fund Program		717,058	178,047	895,105
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		5,078,703	3,054,950	8,133,653
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		-	166,436	166,436
93.507	PPHF National Public Health Improvement Initiative		1,683	15,807	17,490
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		-	2,843,458	2,843,458
93.517	Affordable Care Act – Aging and Disability Resource Center		58,071	381,086	439,157
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		174,350	1,389,283	1,563,633
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)		-	-	
	Pass Through from: Task Force for Global Health	40000000000016	-	34,998	
	<i>Total 93.524</i>				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		-	370,620	370,620
93.544	The Patient Protection and Affordable Care Act of 2010(Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program		-	(93)	(93)
93.556	Promoting Safe and Stable Families		1,006,682	4,206,116	5,212,798
93.563	Child Support Enforcement		9,592,699	65,209,788	74,802,487
93.566	Refugee and Entrant Assistance_State Administered Programs		-	3,386,600	3,386,600
93.568	Low-Income Home Energy Assistance		32,969,555	1,770,013	34,739,568
93.569	Community Services Block Grant		5,080,871	251,549	5,332,420
93.576	Refugee and Entrant Assistance_Discretionary Grants		-	26,195	26,195
93.579	U.S. Repatriation		-	4,799	4,799

93.584	Refugee and Entrant Assistance_Targeted Assistance Grants	-	416,950	416,950
93.586	State Court Improvement Program	-	450,008	450,008
93.590	Community-Based Child Abuse Prevention Grants	-	189,624	189,624
93.597	Grants to States for Access and Visitation Programs	64,001	15,666	79,667
93.599	Chafee Education and Training Vouchers Program (ETV)	-	900,612	900,612
93.600	Head Start	-	49,522	49,522
93.601	Child Support Enforcement Demonstrations and Special Projects	319	71,518	71,837
93.605	Family Connection Grants	-	376,503	376,503
93.609	The Affordable Care Act – Medicaid Adult Quality Grants	-	921,926	921,926
93.617	Voting Access for Individuals with Disabilities_Grants to States	30,081	1	30,082
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	178,123	11,895,708	12,073,831
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	1,042,930	1,042,930
93.643	Children's Justice Grants to States	-	257,017	257,017
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	2,856,072	2,856,072
93.652	Adoption Opportunities	-	489,841	489,841
93.658	Foster Care_Title IV-E	1,976,402	92,122,834	94,099,236
93.659	Adoption Assistance	-	39,069,109	39,069,109
93.667	Social Services Block Grant	3,841,528	14,744,361	18,585,889
93.669	Child Abuse and Neglect State Grants	-	260,524	260,524
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	1,358,212	4,812	1,363,024
93.674	Chafee Foster Care Independence Program	-	3,045,717	3,045,717
93.719	Advance Interoperable Health Information Technology Services to Support Health Information Exchange	-	325,365	325,365
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	-	521,985	521,985
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	85,117	266,468	351,585
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	14,334	175,514	189,848
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	14,709	245,064	259,773
93.757	State and Local Public Health Actions to Prevent, Obesity, Diabetes, Heart Disease and Stroke (PPHF)	83,939	1,018,583	1,102,522

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		37,476	1,052,531	1,090,007
93.767	Children's Health Insurance Program		-	161,869,633	161,869,633
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		205,162	520,263	725,425
93.791	Money Follows the Person Rebalancing Demonstration		-	(34,302)	(34,302)
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid		-	2,442,977	2,442,977
93.800	Organized Approaches to Increase Colorectal Cancer Screening		-	509,692	509,692
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		-	654,572	654,572
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		478,395	57,925	536,320
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services		-	139,141	139,141
93.889	National Bioterrorism Hospital Preparedness Program		561,346	1,472,470	2,033,816
93.917	HIV Care Formula Grants		1,394,537	3,645,982	5,040,519
93.940	HIV Prevention Activities_Health Department Based		872,182	658,643	1,530,825
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		387,475	603,394	990,869
93.945	Assistance Programs for Chronic Disease Prevention and Control		337,211	1,316,050	1,653,261
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		-	161,713	161,713
93.958	Block Grants for Community Mental Health Services		5,715,880	811,750	6,527,630
93.959	Block Grants for Prevention and Treatment of Substance Abuse		16,104,081	2,505,136	18,609,217
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants		-	769,340	769,340
93.994	Maternal and Child Health Services Block Grant to the States		3,153,731	3,439,264	6,592,995
93.U01	HHSM500201100039C		-	53	53
Aging Cluster					
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers		\$ 4,324,884	\$ 326,140	\$ 4,651,024
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services		7,323,352	401,061	7,724,413
93.053	Nutrition Services Incentive Program		1,871,879	-	1,871,879
Total Aging Cluster			\$ 13,520,115	\$ 727,201	\$ 14,247,316

TANF Cluster				
93.558	Temporary Assistance for Needy Families	\$	399,472	\$ 170,650,976 \$ 171,050,448
Total TANF Cluster		\$	399,472	\$ 170,650,976 \$ 171,050,448
CCDF Cluster				
93.575	Child Care and Development Block Grant	\$	9,461,686	\$ 10,461,783 \$ 19,923,469
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		-	43,917,502 43,917,502
Total CCDF Cluster		\$	9,461,686	\$ 54,379,285 \$ 63,840,971
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	\$	-	\$ 1,752,522 \$ 1,752,522
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		-	4,651,860 4,651,860
93.778	Medical Assistance Program		576	7,138,672,472 7,138,673,048
Total Medicaid Cluster		\$	576	\$ 7,145,076,854 \$ 7,145,077,430
Total Department of Health and Human Services		\$	126,688,694	\$ 7,883,875,831 \$ 8,010,564,525
Corporation For National and Community Service				
94.003	State Commissions	\$	128,834	\$ 246,971 \$ 375,805
94.006	AmeriCorps		3,028,598	(64,731) 2,963,867
94.013	Volunteers in Service to America		-	-
	Pass Through from: Corp for Ntl & Comm Service		-	33,016
	<i>Total 94.013</i>			33,016
Total Corporation For National and Community Service		\$	3,157,432	\$ 215,256 \$ 3,372,688
Office of National Drug Control Policy Reauthorization Act of 2006				
95.001	High Intensity Drug Trafficking Areas Program	\$	(6,281)	\$ 2,786,775 \$ 2,780,494
Total Office of National Drug Control Policy Reauthorization Act of 2006		\$	(6,281)	\$ 2,786,775 \$ 2,780,494

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, 2016 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Social Security Administration					
96.008	Social Security - Work Incentives Planning and Assistance Program		\$ -	\$ 49,468	\$ 49,468
Disability Insurance/SSI Cluster					
96.001	Social Security_Disability Insurance		\$ -	\$ 29,613,189	\$ 29,613,189
Total Disability Insurance/SSI Cluster			\$ -	\$ 29,613,189	\$ 29,613,189
Total Social Security Administration			\$ -	\$ 29,662,657	\$ 29,662,657
Department of Homeland Security					
97.008	Non-Profit Security Program		\$ 710,232	\$ 84,006	\$ 794,238
97.012	Boating Safety Financial Assistance		1,769,171	110,865	1,880,036
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		-	225,761	225,761
97.029	Flood Mitigation Assistance		140,968	3,752	144,720
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		4,271,830	565,298	4,837,128
97.039	Hazard Mitigation Grant		411,921	80,768	492,689
97.041	National Dam Safety Program		-	110,042	110,042
97.042	Emergency Management Performance Grants		3,469,689	1,074,418	4,544,107
97.043	State Fire Training Systems Grants		-	20,000	20,000
97.044	Assistance to Firefighters Grant		-	126,087	126,087
97.045	Cooperating Technical Partners		-	1,719,401	1,719,401
97.046	Fire Management Assistance Grant		-	24,040,087	24,040,087
97.047	Pre-Disaster Mitigation		414,667	26,203	440,870
97.067	Homeland Security Grant Program		1,390,717	548,866	1,939,583
97.073	State Homeland Security Program (SHSP)		605,084	1,108,008	1,713,092
Total Department of Homeland Security			\$ 13,184,279	\$ 29,843,562	\$ 43,027,841
Total Expenditures of Federal Awards			\$ 955,398,801	\$ 10,578,763,619	\$ 11,534,162,420

**Notes to the Schedule of
Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Note 1. Summary of Significant Accounting Policies

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

The financial statements of the State of Oregon include all fund types for all agencies, boards, commissions, authorities, and courts that are legally part of the State's primary government and its component units. The Oregon Health & Science University (OHSU), University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Western Oregon University (WOU), Southern Oregon University (SOU), Eastern Oregon University (EOU), and Oregon Institute of Technology (OIT) are legally separate component units. For the year ended June 30, 2016, these component units have issued separate financial statements and have obtained a separate single audit as outlined in §200.514 of Uniform Guidance. Therefore, the accompanying schedule does not include the federal grant activity of these component units. A copy of these reports can be obtained from these institutions as follows:

- OHSU, 2525 SW Third Avenue, Suite 245, Portland, Oregon 97201.
- UO, 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.
- WOU, 345 Monmouth Ave N, Monmouth, Oregon 97361.
- SOU, 1250 Siskiyou Blvd, Ashland, Oregon 97520.
- EOU, 1 University Blvd, La Grande, Oregon 97850.
- OIT, 3201 Campus Dr, Klamath Falls, Oregon 97601.

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

Note 2. Programs Involving Non-Cash Assistance

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

<u>CFDA</u>			
<u>Number</u>	<u>Title</u>	<u>Type of Assistance</u>	<u>Value</u>
10.555	National School Lunch Program	Commodities	\$ 14,979,072
10.559	Summer Food Service Program for Children	Commodities	28,697
10.565	Commodity Supplemental Food Program	Commodities	388,925
10.567	Food Distribution Program on Indian Reservations	Commodities	59,466
10.569	Emergency Food Assistance Program	Commodities	7,770,315
39.003	Donation of Federal Surplus Personal Property	Donated Federal Surplus	1,063,010
93.268	Immunization Cooperative Agreements	Vaccines	<u>41,350,457</u>
	Total		<u>\$ 65,639,942</u>

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 3. Unemployment Insurance

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

These funds may only be used to pay benefits under federally approved State unemployment law. State unemployment insurance funds are included with federal funds in the total expenditures for CFDA 17.225 (Unemployment Insurance Program). Of the \$601,268,839.70 reported as expenditure for the Unemployment Insurance program, \$515,964,115.49 represented expenditures of State funds held in the Unemployment Trust Fund.

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

The Expenditures for the Revolving Loan Fund (RLF) Grant (CFDA 11.307) made during the year ended June 30, 2016 are calculated as follows:

1) Balance of RLF loans outstanding at the end of the fiscal year	\$ 6,500,643
2) Cash and investment balance in the RLF at the end of fiscal year	3,769,185
3) Administrative expenses paid out of RLF income during the recipient's fiscal year	7,320
4) The unpaid principal of all loans written off during the fiscal year	<u>0</u>
Total	\$ 10,277,148
5) The Federal Share of RLF (2,000,000/2,667,000)	<u>75%</u>
6) Federal Awards Expended during the fiscal year	<u>\$ 7,707,861</u>

Prior Year Financial Statement Findings

This section includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2015. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2014 that were uncorrected at June 30, 2015.

Finding 2015-001: **Department of Human Services/Oregon Health Authority
Evidence of Key System Updates Should Be Retained
Significant Deficiency**

Recommendation: Department management ensure that adequate documentation is retained to demonstrate controls are operating as intended to ensure that expenditures are paid at proper rates.

Status: Corrective action was taken.

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

Recommendation: Department management consider the financial statement impact resulting from adjustments or entries made in underlying coding to ensure amounts are properly reported.

Status: Corrective action was taken.

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

Recommendation: 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.

Status: Corrective action was taken.

State of Oregon
Schedule of Prior Year Findings

- Finding 2015-004: **Department of Revenue**
Perform Cash reconciliations on a Regular and Timely Basis
Significant Deficiency
- Recommendation: Department management ensure cash accounts in its subsidiary accounting systems are consistently and timely reconciled to the Oregon State Treasury accounts and the state accounting system.
- Status: Partial corrective action was taken. The agency response is as follows:
- Corrective action has been taken for our highest risk cash accounts and monthly reconciliations are completed timely. Due to staffing issues and the inability to find qualified candidates for our vacant Accountant 2 position, management has determined that periodic reviews of the cash accounts is an accepted level of risk. Once staffing is resolved, we will begin monthly reconciliations of all cash accounts.
- Finding 2015-005: **Department of Revenue**
Strengthen Controls to Ensure Supporting Documentation for Tax Revenue Transactions is Retained
Significant Deficiency
- Recommendation: Department management strengthen controls to ensure complete supporting documentation for all financial transactions is appropriately retained.
- Status: Corrective action was taken.
- Finding 2015-006: **Oregon Parks and Recreation Department**
Transaction Entry and Review Procedures Need Improvement
Significant Deficiency
- Recommendation: Management revisit state accounting policies related to recording transactions and ensure the transaction review process includes examination of proper coding and effective dates.
- 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: Corrective action was taken.

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: Corrective action was taken.

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: Corrective action was taken.

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:

Corrective action has been taken for our highest risk cash accounts and monthly reconciliations are completed timely. Due to staffing issues and the inability to find qualified candidates for our vacant Accountant 2 position, management has determined that periodic reviews of the cash accounts is an accepted level of risk. Once staffing is resolved we will begin monthly reconciliations of all cash accounts.

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, 2015. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2014 that were uncorrected at June 30, 2015.

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

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

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

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

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

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

State of Oregon
Schedule of Prior Year Findings

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

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. The department continues to make quarterly adjustments to federal expenditures to account for this ongoing issue.

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

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

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

The department has submitted the significant design change to 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. The anticipated implementation of these changes was not anticipated to occur until the end of 2016. Therefore, in order to meet the requirements for the Title IV-E PIP, the department implemented an interim plan. The interim plan requires the home study be scanned into the OR-Kids file cabinet and the Title IV-E eligibility specialists are required to review the background check information before completing the Title IV-E eligibility determination. The final Title IV-E PIP was submitted on July 22, 2016. Final acceptance of corrective actions was received from the Children’s Bureau in December 2016. The department is waiting for a response from the Children’s bureau. The OR-Kids provider module was implemented March 1, 2017.

Corrections were completed in May 2016 for a total federal reimbursement of \$385.35 for the over 18 year old child referenced in the finding. An additional adjustment was submitted in March 2017 for a federal reimbursement of \$1,699.66.

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

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

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

In June 2016, the department changed the funding structure for all Adoptions Unit contracts including Foster Care administrative services to be consistent. All of the contracts now report to the Child Welfare design cost allocation funding structure. Adjustments to federal expenditures were made in February 2016 to address match rates and in March 2016 to address the \$508 in questioned costs.

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

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

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

The OR-Kids team reviewed the transactions in the finding and identified a systemic issue. This issue was addressed with a system update I January 2017. An additional system enhancement will be implemented to better capture mileage reimbursement by June 2017. The agency will review and correct any unallowable costs as necessary. The anticipated completion date for these adjustments is May 31, 2017.

State of Oregon
Schedule of Prior Year Findings

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

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

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

The department will institute this requirement into the Oregon Administrative Rules (OARs) 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. The department continues to work on updates to the OARs and the estimated date of completion is July 1, 2017.

Finding 2015-013: **Department of Human Services**
Provider Eligibility Documentation Incomplete
Adoption Assistance – Title IV-E (93.659)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: \$7,900

Recommendation: 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.

Status: Corrective action was taken.

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

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

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

The department has completed most of the additional clean-up of eligibility determinations. There remains a small number of cases that still need to be corrected. The process to correct these cases takes time and the estimated time to complete the clean-up of the remaining cases is September 30, 2016.

OR-Kids Business Analysts and FPPR Policy Analysts have designed the necessary changes in order to document that a child is eligible for Title IV-E adoption assistance when they are eligible for by meeting both eligibility criteria (traditional adoption assistance eligibility rules and applicable child rules). Currently the system allows us to document one or the other, therefore we can accurately track and calculate our Adoptions Applicable Child Savings.

Finding 2015-015: **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: \$58,722

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: Corrective action was taken.

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

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

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

APD has obtained missing applications from all clients except those that were determined to now be deceased. For those individuals, APD followed up with the Estate Recovery Unit to ensure that they were aware of the clients' passing and were filing an estate claim if appropriate. APD has continued to remind managers and staff of the importance of maintaining

State of Oregon
Schedule of Prior Year Findings

complete files through meetings and “In the Loop” newsletter articles. All corrective actions are complete.

For the one client who experienced an eligibility coding error, the state is in the process of returning the federal funds. This finding will remain open due to errors identified in the FY 2016 audit.

Finding 2015-017: **Department of Human Services/Oregon Health Authority**
Strengthen Controls Over Non-Automated Transactions
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles; Matching
Significant Deficiency, Noncompliance
Questioned Costs: \$1,321,804

Recommendation: Management strengthen controls to ensure only allowable costs are paid for at appropriate federal funding participation rates.

Status: Corrective action was taken.

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

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:

We agree the Department of Human Services and Oregon Health Authority have not completed all the elements of a formal ADP risk analysis and security review of the Medicaid systems. However, as we have previously communicated, the agencies have traditionally relied on third-party assessments such as SOC 1, Type 2 reports, audits from Office of Inspector General, Secretary of State, and the Enterprise Security Office’s Annual Information Systems Business Risk Assessment report to provide this information. Security control assessment is included in these assessments. Vulnerability assessment scans of the MMIS system software are periodically performed at least every three years or whenever major changes are made to the system. The last vulnerability assessment took place in September 2016.

We use these audits and reports, as well as leveraging reports from the Privacy and Incident Response section, to assist in that determination. While not strictly a formal risk assessment per se, it does provide an analysis of controls from both a system as well as program perspective. In addition, Information Security and Privacy Office (ISPO) staff have conducted physical security walk-throughs of the State Data Center where the MMIS production servers are located.

An information security risk assessment was conducted by the Information Security and Privacy Office (ISPO) on the Provider Services and Provider Enrollment units of Division of Medical Assistance programs (DMAP), which administers the Medicaid program for the State of Oregon. The risk assessment was completed in March 2015. In January 2015, the Oregon Health Authority began an agency-wide restructure. As a result of this major restructure and transitional projects, further ISPO-conducted risk assessments were postponed. We also agree that we need to develop a formal risk assessment and security review program based in industry standards and best practices that assesses risks for programs as a whole and not on a system-by-system basis.

Finding 2015-019: **Department of Human Services**
Improve Timeliness of Nursing Facility Reviews
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: Corrective action was taken.

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

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

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

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

State of Oregon
Schedule of Prior Year Findings

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.

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

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

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

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

Child care policy staff continue to work with the Direct Pay Unit staff to develop a process to address situations when a copay is not being met and there are multiple providers involved.

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

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

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

ODE has completed nine on-site reviews that were followed-up with desk audits. The intent is to review all subrecipients annually. Additional programs have been calendared over the next several months with all sites projected to be completed by June 30, 2017.

Finding 2015-023: **Oregon Health Authority**
Ensure Compliance Site Visits are Performed Timely
Immunization Cooperative Agreements (93.268)
Special Tests and Provisions
Significant Deficiency, Material Noncompliance

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

Status: Corrective action was taken.

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

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

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

In addition to increased documents and published tools for staff, the policy unit staff now send regular emails several times each month focusing on participation issues that has been identified as needing further explanation. These emails are distributed to the front-line staff and leadership as a means to help guide conversations in the field in regards to participation and program accuracy. The topics for the emails are identified through case reviews, questions submitted to the policy unit, and questions frequently asked during training.

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

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

State of Oregon
Schedule of Prior Year Findings

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

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.

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

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

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

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

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

Recommendation: Management ensure staff receive training regarding the proper coding for expenditures and allowability of expenditures to be paid with federal funds. Additionally, we recommend that management ensure documentation is maintained to support expenditures paid. Further, for the specific items identified, we recommend the management correct the coding errors and ensure the expenditures are billed to the appropriate program and/or source of funds.

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

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.

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

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

State of Oregon
Schedule of Prior Year Findings

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

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. The current biennium cost allocation plan was submitted for review in July 2016 and is awaiting a response from DCA.

Finding 2015-029: **Oregon Housing and Community Services Department**
Improve Reviews of Subrecipients
Low-Income Home Energy Assistance (93.568)
Subrecipient Monitoring
Material Weakness, Noncompliance

Recommendation: 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.

Status: Corrective action was taken.

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

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

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

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.

The agency will be refining controls in order to ensure detection of "red-flags" when requests for reimbursement are received. The agency will request further documentation and/or explanation to support their request when those flags are detected. Further controls will ensure federal cash draws are for reimbursement of program expenditures. If the

request is for an advance of federal funds, the agency will ensure the funds are for an immediate cash need of the subrecipient.

Supporting documentation is tested as part of the items monitored with emphasis on ensuring any funds advanced to a subrecipient are due to an immediate cash need and the time between the request and disbursement of funds is minimized. The control will be further refined to ensure we are able to trace funding requests to and from subrecipient records to verify that expenditures were allowable and paid out prior to the reimbursement request or if advanced, that funds were expended within a reasonable timeframe.

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

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

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

APD has monitored the Financial Desk Training course and determined that all APD and AAA branches have completed the training.

Self Sufficiency has taken corrective action and completed branch office monitoring at the end of July 2016.

Testing from the current audit period showed that these findings will be reported as unresolved in the Fiscal Year Ended June 30, 2016 statewide report.

Finding 2015-032: **Department of Education**
Menu Certification Reimbursement Practices Should Align with Federal Regulations
Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Subrecipient Monitoring
Noncompliance
Questioned Costs: \$53,770

Recommendation: 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.

Status: Corrective action was taken.

State of Oregon
Schedule of Prior Year Findings

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

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

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

ODE developed two tools with technical assistance from staff at the Office of Special Education Programs (OSEP): a Fiscal Year Risk Assessment for IDEA Federal Funds Part B, and an IDEA Part B Fiscal Monitoring Protocol (*this tool contains finalized procedures for fiscal subrecipient monitoring to include a review of accounting and internal control systems and federal fiscal requirements of the award.*)

Also, we developed forms that were submitted to OSEP in June 2016. We received feedback from OSEP in December 2016 and are currently making revisions to those forms. We expect to receive final approval from OSEP soon so that we can begin implementation starting in February 2017.

Finding 2015-034: **Department of Education**
Improve Controls Over Period of Performance
Special Education Cluster (IDEA)(84.027, 84.173)
Period of Performance
Significant Deficiency, Noncompliance
Questioned Costs: \$178,458

Recommendation: Department management ensure controls are properly designed to prevent recording expenditures outside the period of performance.

Status: Corrective action was taken.

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

Recommendation: Department management:

- recover the excess allocated Title 1 funds;

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

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

Oregon Department of Education (ODE) has billed the school district identified as not meeting Title 1 Maintenance of Effort (MOE) and we are still working on the recovery of the amount owed. ODE has updated its processes to improve controls over accuracy of MOE calculation, including reviewing methodology used to calculate MOE and implementing an independent review of the MOE calculations and final allocations.

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

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

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

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

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

Status: As of July 1, 2015 Western Oregon University, Southern Oregon University, Eastern Oregon University, and Oregon Institute of Technology each became an independent public body legally separate

State of Oregon
Schedule of Prior Year Findings

from the State. The State of Oregon is no longer responsible for follow-up related to the University findings, as each University is responsible for their own Single Audit.

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

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

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

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

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

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

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

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

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

In our response to the TLO findings, we stated we would have a refined Business Intelligence tool in place with a more streamlined review process to make it less labor intensive. Despite OED not receiving the Center of Excellence grant mentioned in our initial response, OED developed and deployed the refined BI tool and process before the June 30, 2016 deadline. We have a UI Technician who is tracking the data from our new query as well as dedicated staff to review and adjudicate the claims.

We are still in the process of reviewing our TLO messaging (letters, online, and phone system) and determining what changes need to be made.

In our initial response to this finding we reported that we approved a project to automate the identification of out-of-state claimants. The automated process would flag the claim, generate a letter directing them to register in the state of their residence and requiring them to provide documentation of their registration. This will take internal IT resources and based on other higher priority IT projects the completion date for this project is December 1, 2017.

Finding 2015-041: **Higher Education Coordinating Commission**
Reporting
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: Corrective action was taken.

State of Oregon
Schedule of Prior Year Findings

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:

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. The department continues to make quarterly adjustments to federal expenditures to account for this ongoing issue.

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: Corrective action was taken.

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 has submitted the significant design change to 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. The anticipated implementation of these changes was not anticipated to occur until the end of 2016. Therefore, in order to meet the requirements for the Title IV-E PIP, the department implemented an interim plan. The interim plan requires the home study be scanned into the OR-Kids file cabinet and the Title IV-E eligibility specialists are required to review the background check information before completing the Title IV-E eligibility determination. The final Title IV-E PIP was submitted on July 22, 2016. Final acceptance of corrective actions was received from the Children's Bureau in December 2016. The department is waiting for a response from the Children's bureau. The OR-Kids provider module was implemented March 1, 2017.

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:

In June 2016, the department changed the funding structure for all Adoptions Unit contracts including Foster Care administrative services to be consistent. All of the contracts now report to the Child Welfare design cost allocation funding structure.

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

State of Oregon
Schedule of Prior Year Findings

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:

OR-Kids Business Analysts and FPPR Policy Analysts have designed the necessary changes in order to document that a child is eligible for Title IV-E adoption assistance when they are eligible for by meeting both eligibility criteria (traditional adoption assistance eligibility rules and applicable child rules). Currently, the system allow us to document one or the other; therefore, we can accurately track and calculate our Adoptions Applicable Child Savings. Due to other competing priorities implementing these changes into the system will be delayed until 2017.

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:

APD offices have completed training and roll out of the EDMS system for client eligibility documentation. The program continues to remind staff and managers of the importance of maintaining client documentation through staff meetings and "In the Loop" newsletter articles. This finding will remain open due to errors identified in the FY 2016 audit.

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: Corrective action was taken.

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: Corrective action was taken.

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:

We agree the Department of Human Services and Oregon Health Authority have not completed all the elements of a formal ADP risk analysis and security review of the Medicaid systems. However, as we have previously communicated, the agencies have traditionally relied on third-party assessments such as SOC 1, Type 2 reports, audits from Office of Inspector General, Secretary of State, and the Enterprise Security Office's Annual Information Systems Business Risk Assessment report to provide this information. Security control assessment is included in these assessments. Vulnerability assessment scans of the MMIS system software are periodically performed at least every three years or whenever major changes are made to the system. The last vulnerability assessment took place in September 2016.

We use these audits and reports, as well as leveraging reports from the Privacy and Incident Response section, to assist in that determination. While not strictly a formal risk assessment per se, it does provide an analysis of controls from both a system as well as program perspective. In addition, Information Security and Privacy Office (ISPO) staff have

State of Oregon
Schedule of Prior Year Findings

conducted physical security walk-throughs of the State Data Center where the MMIS production servers are located.

An information security risk assessment was conducted by the Information Security and Privacy Office (ISPO) on the Provider Services and Provider Enrollment units of Division of Medical Assistance programs (DMAP), which administers the Medicaid program for the State of Oregon. The risk assessment was completed in March 2015. In January 2015, the Oregon Health Authority began an agency-wide restructure. As a result of this major restructure and transitional projects, further ISPO-conducted risk assessments were postponed. We also agree that we need to develop a formal risk assessment and security review program based in industry standards and best practices that assesses risks for programs as a whole and not on a system-by-system basis.

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:

Health Systems Division tested and implemented (10/2014) a change request which contained six new edits related to age/gender. Those edits, once implemented, were monitored to ensure the expected result was obtained.

Additionally, HSD's plan for ongoing identification and review of key edits is as follows:

- A group of internal parties (business support, policy, claims, provider services) has been convened to review the MMIS edits to determine what key edits should be tested.
- That group determined which edits will be reviewed and tested annually and determined the testing process.
- The tester(s) will be identified and informed of the process.
- Once claims are tested against the edits, results will be tracked in a central location for review.
- If the edits do not function as anticipated, the tester will identify the discrepancy to the Claims and PSU managers for additional action.

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 March 31, 2017.

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:

In addition to increased documents and published tools for staff, the policy unit staff now send regular emails several times each month focusing on participation issues that has been identified as needing further explanation. These emails are distributed to the front-line staff and leadership as a means to help guide conversations in the field in regards to participation and program accuracy. The topics for the emails are identified through case reviews, questions submitted to the policy unit, and questions frequently asked during training.

State of Oregon
Schedule of Prior Year Findings

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:

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

- 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: 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:

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. The current biennium cost allocation plan was submitted for review in July 2016 and is awaiting a response from DCA.
- 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.

State of Oregon
Schedule of Prior Year Findings

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

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. 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.

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

Child care policy staff continue to work with the Direct Pay Unit staff to develop a process to address situations when a copay is not being met and there are multiple providers involved.

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: Corrective action was taken.

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 agency has provided clarification, procedures, and training to the fiscal monitor in order to examine and test application of subrecipient

cost allocation plans. This provides assurance that costs are equitably distributed and adequately documented. Cost allocations are being tested by the fiscal monitor during the annual subrecipient monitoring visit to ensure costs are allocated on a reasonable basis and that basis is applied correctly.

Finding 2014-038: **Oregon Department of Housing and Community Services**

Strengthen Controls Over Cash Management
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:

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.

The agency will be refining controls in order to ensure detection of "red-flags" when requests for reimbursement are received. The agency will request further documentation and/or explanation to support their request when those flags are detected. Further controls will ensure federal cash draws are for reimbursement of program expenditures. If the request is for an advance of federal funds, the agency will ensure the funds are for an immediate cash need of the subrecipient.

Supporting documentation is tested as part of the items monitored with emphasis on ensuring any funds advanced to a subrecipient are due to an immediate cash need and the time between the request and disbursement of funds is minimized. The control will be further refined to ensure we are able to trace funding requests to and from subrecipient records to verify that expenditures were allowable and paid out prior to the reimbursement request or if advanced, that funds were expended within a reasonable timeframe.

State of Oregon
Schedule of Prior Year Findings

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:

APD has monitored the Financial Desk Training course and determined that all APD and AAA branches have completed the training.

Self Sufficiency has taken corrective action and completed branch office monitoring at the end of July 2016.

Testing from the current audit period showed that these findings will be reported as unresolved in the Fiscal Year Ended June 30, 2016 statewide report.

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: 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 developed two tools with technical assistance from staff at the Office of Special Education Programs (OSEP): a Fiscal Year Risk Assessment for

IDEA Federal Funds Part B, and an IDEA Part B Fiscal Monitoring Protocol *(this tool contains finalized procedures for fiscal subrecipient monitoring to include a review of accounting and internal control systems and federal fiscal requirements of the award.)*

Also, we developed forms that were submitted to OSEP in June 2016. We received feedback from OSEP in December 2016 and are currently making revisions to those forms. We expect to receive final approval from OSEP soon so that we can begin implementation starting in February 2017.

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: Corrective action was taken.

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

REPORT TITLE AND NUMBER: **Improving State Computer System Security will take Time, Resources, and Cooperation; Report No. 2016-30**

REPORT DATE: November 2016

RESULTS IN BRIEF: **State agency security efforts fall short**

We reviewed 13 state agencies' information security plans and a selection of security functions to determine if agencies were adequately protecting their systems and data. More than half of the agencies had security weaknesses in six of the seven fundamental security controls reviewed and all agencies had at least two weaknesses.

These agencies represented a cross section of state government agencies. They process and store different types of information ranging from mostly public documents to highly sensitive tax, court, and medical records that require a higher level of protection to comply with federal law.

Overall, planning efforts were often perfunctory, security staffing was generally insufficient, and critical security functions were not always performed. These weaknesses collectively increase the risk of a security incident at one or more of the agencies.

Office of the State Chief Information not fully prepared to centrally administer the state's security function

State law gives the state Chief Information Officer responsibility for planning statewide security, setting security standards and policies, and ensuring remedial actions are undertaken to correct known security weaknesses. However, the Office of the State Chief Information Officer (OSCIO) has not yet provided state agencies with sufficient and appropriate information technology security standards and oversight. In addition, the OSCIO does not have processes to ensure that agencies comply with the published statewide standards and the regulations imposed by federal requirements.

Recent executive order shifts security functions from the agencies to the Office of the State Chief Information Officer but much work remains

In September 2016, the Governor signed Executive Order No. 16-13 Unifying Cyber Security in Oregon. This directive outlines a process to unify information technology security, including a process to transfer state agency security functions and staffing into the OSCIO until June 30, 2017. In addition, it directs

agencies to work with the OSCIO's newly formed security group to develop and implement security plans, rules, policies, and standards. The directive also requires agencies to fully cooperate with the OSCIO to implement a statewide agency-by-agency risk-based security assessment and remediation program.

However, the executive order may not fully resolve the state's information technology security weaknesses. The need to securely operate information systems competes for resources with the needs of the agencies to provide services to Oregonians. The executive order transfers security functions but does not add additional resources or describe how agency security staff will work with the OSCIO while remaining under agency management direction for day-to-day activities. In addition, at the time of this report, the OSCIO has not yet developed plans detailing how the OSCIO and agencies will achieve the requirements of the executive order.

Ultimately, the Governor, the OSCIO, agency directors, and the Legislature must cooperate to create, fund, endorse, and implement a statewide security plan. Without full cooperation of these key stakeholders, it is unlikely that the state's security posture will significantly improve.

REPORT TITLE AND NUMBER: **Oregon Department of Education: Computer Systems Ensure Integrity of Data, But Other Processes Need Improvement; Report No. 2016-32**

REPORT DATE: December 2016

RESULTS IN BRIEF: **Computer systems ensure integrity of student and school data**

Department staff use the Consolidated Collection System to analyze and aggregate school and student data. They use information from this system to allocate monies to Oregon's schools and education service districts. Computer systems reasonably ensured the integrity of student and school information through automated processes that accurately identify students and detect potential data errors. In addition, department analysts use system information to validate student and school data.

Computer systems appropriately receive and process school district claims for federal funding

The department uses the Electronic Grant Management System and the Federal Cash Ordering System to receive and process requests for federal program expenditure reimbursements. We found that computer controls reasonably ensure that these systems could appropriately receive and process school district claims for federal funding. These systems ensure grant claims do not exceed available balances and reject claims that otherwise would be ineligible for reimbursement.

Security measures for computer systems were insufficient

Although the department provides important protection measures for security, improvements are needed to better secure their computer systems and data. Weaknesses we identified relate to the department's processes for planning, configuring, managing, and monitoring information technology security components. As such, the department does not provide an appropriate layered defense to protect agency computer applications. Thus, confidential student level information is at increased risk of disclosure or compromise.

Management of changes to computer systems needs improvement

The department has formal processes and tools for managing changes to their systems, but staff do not always fully utilize them. Independent and technical reviews of computer code changes did not always occur and processes were not in place to ensure only approved code could be placed in production. These weaknesses increase the risk that developers could introduce unauthorized or untested changes to the systems.

System files and data are appropriately backed up but procedures for timely restoration after a disaster are absent

The department has processes in place to back up critical data and can restore individual files as needed. However, department management and staff have not fully developed and tested a comprehensive disaster recovery plan capable of restoring critical systems and data in the event of a disaster or major disruption. Without a disaster recovery plan, the department cannot ensure it can timely restore operations in the event of a disaster.

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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.

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