
Secretary of State

State of Oregon
FEDERAL COMPLIANCE REPORT
AND
INTERNAL CONTROL REPORT
For the Year Ending June 30, 1997



Audits Division

Secretary of State

State of Oregon
FEDERAL COMPLIANCE REPORT
AND
INTERNAL CONTROL REPORT
For the Year Ending June 30, 1997



Audits Division

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Auditing for a Better Oregon

The Honorable John A. Kitzhaber
Governor of Oregon
State Capitol
Salem, Oregon 97310

We have conducted a statewide audit in accordance with the Single Audit Act Amendments of 1996, *Government Auditing Standards*, and Office of Management and Budget (OMB) Circular A-133. This report, which encompasses the year ended June 30, 1997, is required for the state to continue receiving federal financial assistance.

We issued a separate report dated December 16, 1997, on the state of Oregon's general-purpose financial statements. That report is included in the state of Oregon's *Comprehensive Annual Financial Report* for the year ended June 30, 1997. This report contains the two additional reports required by the Single Audit Act, including the:

- *Report on Compliance and on Internal Control over Financial Reporting:* This is our report on the state of Oregon's compliance with laws, regulations, contracts, and grants, and internal control over financial reporting. A schedule of findings and questioned costs accompanies this report.
- *Report on Compliance and on Internal Control in accordance with OMB A-133:* This is our report on the state of Oregon's compliance with the types of compliance requirements described in OMB Circular A-133 and internal controls over compliance. A schedule of findings and questioned costs accompanies this report.

The Single Audit Act requires the Department of Administrative Services (DAS) to prepare a summary schedule reporting the status of material prior findings. As part of our audit, we are required to report whether the status of findings reported in the summary schedule is reasonable. Based on our review the status reported in the summary schedule is reasonable.

OMB Circular A-133 requires management to provide a plan of corrective action on the current audits findings and recommendations. Responses to these findings and recommendations were provided by management of the agencies to which the comments refer, and are included in this report.

OREGON AUDITS DIVISION

John N. Lattimer
Director



Auditing for a Better Oregon

The Honorable John A. Kitzhaber
Governor of Oregon
State Capitol
Salem, Oregon 97310

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the general-purpose financial statements of the state of Oregon as of and for the year ended June 30, 1997, and have issued our report thereon dated December 16, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the state of Oregon's general-purpose financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Oregon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the state of Oregon's ability to record, process, summarize and report financial data consistent with

the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-1 through 97-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

This report is intended for the information of the management of the state of Oregon and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

December 16, 1997



Auditing for a Better Oregon

The Honorable John A. Kitzhaber
Governor of Oregon
State Capitol
Salem, Oregon 97310

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Compliance

We have audited the compliance of the state of Oregon with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1997. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state of Oregon management. Our responsibility is to express an opinion on the state of Oregon's compliance based on our audit.

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

Our audit does not provide a legal determination on the state of Oregon's compliance with those requirements.

In our opinion, the state of Oregon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 97-7 through 97-10.

Internal Control Over Compliance

The management of the state of Oregon is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state of Oregon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state of Oregon's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-11 through 97-14.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the state of Oregon as of and for the year ended June 30, 1997, and have issued our report thereon dated December 16, 1997. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subject to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended for the information of the state of Oregon, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

May 26, 1998, except for the
Schedule of Expenditures of Federal
Awards, as to which date is December 16, 1997

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
Department of Agriculture			
10.001	Agricultural Research—Basic and Applied Research	\$ \$ 704,878	—
10.025	Plant and Animal Disease, Pest Control, and Animal Care	417,477	—
10.054	Emergency Conservation Program	9,978	9,974
10.063	Agricultural Conservation Program	63,161	—
10.064	Forestry Incentives Program	20,373	—
10.156	Federal—State Marketing Improvement Program	22,304	—
10.163	Market Protection and Promotion	22,330	—
10.167	Transportation Services	17,168	—
10.200	Grants for Agricultural Research, Special Research Grants	367,974	—
10.217	Higher Education Challenge Grants	102,301	6,826
10.218	Buildings and Facilities Program	(52,314)	—
10.220	Food and Agricultural Sciences—All American Undergraduate Scholars Program	15,709	—
10.250	Agricultural and Rural Economic Research	65,641	—
10.433	Rural Housing Preservation Grants	98,214	96,347
10.435	Agricultural Loan Mediation Program	25,247	—
10.500	Cooperative Extension Service	218,847	15,122
10.550	Food Distribution	6,689,706	—
10.557	Special Supplemental Food Program for Women, Infants, and Children	43,538,799	8,572,797
10.560	State Administrative Expenses for Child Nutrition	1,186,736	—
10.564	Nutrition Education and Training Program	27,098	—
10.565	Commodity Supplemental Food Program	325,613	5,566
10.567	Food Distribution Program on Indian Reservations	131,423	130,742
10.568	Emergency Food Assistance Program (Administrative Costs)	481,488	—
10.569	Emergency Food Assistance (Food Commodities)	1,108,065	—
10.570	Nutrition Program for the Elderly (Commodities)	1,553,619	1,553,619
10.600	Foreign Market Development Cooperation Program	8,514	—
10.652	Forestry Research	179,302	6,120
10.664	Cooperative Forestry Assistance	2,458,029	771,091
10.665	Schools and Roads—Grants to States	95,395,770	95,395,733
10.670	National Forest—Dependent Rural Communities	138,174	—
10.6X1	USDA—Blue Mountain Forest	9,355	—
10.769	Rural Development Grants	2,409	—
10.771	Rural Cooperative Development Grant	89,768	—
10.901	Resource Conservation and Development	1,229	—
10.902	Soil and Water Conservation	237	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
10.960	Technical Agricultural Assistance	7,562	—
10.961	International Agricultural Research Program	256,598	—
10.963	Scientific and Technical Cooperation	9,650	—
10.XX1	Other Forest Service Programs	8,860	—
10.XX2	Agency/Consortium International Development	4,333,182	557,515

Total Department of Agriculture		\$ 160,060,474	\$ 107,121,452
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Department of Commerce

11.303	Economic Development—Technical Assistance	\$ 139,210	\$ —
11.307	Special Economic Development and Adjustment Assistance Program	69,060	—
11.312	Research and Evaluation Program	52,383	—
11.405	Anadromous Fish Conservation Act Program	501,979	—
11.407	Interjurisdictional Fisheries Act of 1986	2,293,365	2,098,281
11.417	Sea Grant Support	830,241	45,039
11.419	Coastal Zone Management Administration Awards	1,946,362	441,990
11.420	Coastal Zone Management Estuarine Research Reserves	232,252	—
11.427	Fisheries Development and Utilization Research	385,131	58,676
11.436	Columbia River Fisheries Development Program	5,788,098	—
11.438	Pacific Salmon Treaty Program	554,943	—
11.441	Regional Fishery Management Councils	2,814,163	—
11.454	Unallied Management Projects	964	—
11.552	Telecommunications and Information Infrastructure Assistance Program	116,102	—
11.609	Measurement and Engineering Research and Standards	27,376	—
11.611	Manufacturing Extension Partnership	13,511	—
11.X01	Other Commerce Programs—National Oceanic and Atmospheric Administration	197,239	—
11.XX1	Other Commerce Programs	(11,823)	—

Total Department of Commerce		\$ 15,950,556	\$ 2,643,986
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Department of Defense

12.105	Protection of Essential Highways, Bridge Approaches, and Public Works	\$ 197,551	\$ —
12.114	Collaborative Research and Development	11,469	—
12.300	Basic and Applied Scientific Research	85,298	—
12.400	Military Construction, National Guard	12,149,237	—
12.401	National Guard Military Operations and Maintenance Projects	15,331,272	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
12.431	Basic Scientific Research	124,012	31,809
12.4X1	US Army Chemical Materiel Destruction	555,421	-
12.800	Air Force Defense Research Sciences Program	1,501,497	-
12.X02	Other Department of Defense Programs (Army Corps of Engineers)	5,559,014	-
Total Department of Defense		\$ 35,514,771	\$ 31,809
Department of Housing and Urban Development			
14.181	Supportive Housing for Persons with Disabilities	\$ 9,522	\$ -
14.187	Preservation of Affordable Housing	516,788	516,788
14.227	Community Development Block Grants-Technical Assistance Program	1,766,387	158,910
14.228	Community Development Block Grants/State's Program	17,088,949	17,088,949
14.231	Emergency Shelter Grants Program	610,609	594,325
14.235	Supportive Housing Program	564,011	562,664
14.236	Supplemental Assistance for Facilities to Assist the Homeless	882	882
14.239	HOME Investment Partnerships Program	8,280,336	1,163,010
14.245	Innovative homeless Initiative Demonstration Program	80,235	80,235
14.511	Community Outreach Partnership Center Program	56,511	-
14.854	Public and Indian Housing Drug Elimination Program	36,696	-
14.863	Public and Indian Housing Youth Sports Program	14,385	-
14.XX1	Other Department of Housing and Urban Development Programs	258,013	-
Total Department of Housing and Urban Development		\$ 29,283,324	\$ 20,165,763
Department of Interior			
15.142	Self Determination Grants-Indian Tribal Governments	\$ 13,062	\$ -
15.214	Non-Sale Disposals of Mineral Material	68,420	68,404
15.219	Wildlife Habitat Management Technical Assistance	397,770	-
15.221	Cooperative Agreements for Research in Public Lands Management	235,004	-
15.222	Cooperative Inspection Agreements with States and Tribes	355,495	-
15.224	Cultural Resource Management	21,382	-
15.50X	Other Department of the Interior Programs-Bureau of Reclamation	2,000	2,000
15.600	Anadromous Fish Conservation	2,512,575	-
15.605	Sport Fish Restoration	4,726,104	625,770
15.608	Fish and Wildlife Management Assistance	2,354,426	-
15.611	Wildlife Restoration	4,630,970	6,700
15.612	Endangered Species Conservation	287,634	20,573

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
15.614	Coastal Wetlands Planning, Protection and Restoration Act	655,836	118,900
15.616	Clean Vessel Act	564,223	319,601
15.805	Assistance to State Water Resources Research Institutes	17,519	—
15.808	Geological Survey—Research and Data Acquisition	226,865	—
15.875	Economic, Social, and Political Development of the Territories and Freely Associated States	205,600	—
15.904	Historic Preservation Fund Grants—In-Aid	686,767	142,134
15.916	Outdoor Recreation—Acquisition, Development and Planning	138,379	87,778
15.X02	Other Department of the Interior Program (Bureau of Reclamation)	36,863	—
15.X04	Other Department of the Interior Program. (US Fish and Wildlife Services)	478,746	8,000
15.X60	Other Department of the Interior Programs—U.S. Fish and Wildlife Service	72,550	72,550
Total Department of Interior		\$ 18,688,190	\$ 1,472,410
Department of Justice			
16.004	Law Enforcement Assistance—Narcotics and Dangerous Drugs Training	\$ 353,733	\$ —
16.307	Combined DNA Index System	10,000	—
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	736,114	346,018
16.547	Victims of Child Abuse	33,366	—
16.548	Title V—Delinquency Prevention Program	225,555	192,229
16.549	Part E—State Challenge Activities	2,500	2,500
16.572	State Criminal Alien Assistance Program	6,023,733	—
16.575	Crime Victim Assistance	1,200,139	1,123,104
16.576	Crime Victim Compensation	601,947	—
16.579	Drug Control and System Improvement—Formula Grant	4,963,270	3,341,654
16.580	Edward Byrne Memorial State and Local Law Enforcement Assist Discretionary Grants Program	391,695	349,297
16.582	Crime Victim Assistance/Discretionary Grants	8,042	8,042
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	1,485,463	—
16.588	Violence Against Women Formula Grants	531,088	531,088
16.592	Local Law Enforcement Block Grants Program	203,864	203,864
16.710	Public Safety and Community Policing Grants	2,720,567	—
16.858	Drug Court Planning Initiative	6,655	—
Total Department of Justice		\$ 19,497,731	\$ 6,097,796

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
Department of Labor			
17.002	Labor Force Statistics	\$ 1,029,092	\$ —
17.207	Employment Service	10,723,359	—
17.225	Unemployment Insurance	433,937,710	—
17.235	Senior Community Service Employment Program	986,393	986,393
17.245	Trade Adjustment Assistance—Workers	1,601,101	—
17.250	Job Training Partnership Act	38,996,059	37,558,512
17.502	Occupational Safety and Health—Training and Education	4,526,631	—
17.600	Mine Health and Safety Grants	89,355	—
17.801	Disabled Veterans Outreach Program (DVOP)	950,683	—
17.802	Veterans Employment Program	117,815	—
17.804	Local Veterans Employment Representative Program	1,219,933	—
	Total Department of Labor	\$ 494,178,131	\$ 38,544,905
Department of State			
19.XX1	Other Department of State Programs (Peace Corps)	\$ 13,285	\$ —
	Total Department of State	\$ 13,285	\$ —
Department of Transportation			
20.005	Boating Safety Financial Assistance	\$ 888,378	\$ 832,139
20.006	State Access to the Oil Spill Liability Trust Fund	25,358	—
20.106	Airport Improvement Program	1,962,771	—
20.205	Highway Planning and Construction	258,276,233	23,556,115
22.150	Highway Training and Education	7,100	—
20.218	Motor Carrier Safety Assistance Program	2,730,082	308,904
20.303	Grants-in-Aid for Railroad Safety—State Participation	296,050	291,321
20.308	Local Rail Freight Assistance	19,093	—
20.312	High Speed Ground Transportation	1,005,689	—
20.505	Federal Transit Technical Studies Grants	330,481	306,608
20.509	Public Transportation for Nonurbanized Areas	1,387,539	1,175,799
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	643,125	443,202
20.600	State and Community Highway Safety	1,855,906	1,213,108
20.700	Pipeline Safety	107,858	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	77,480	—
20.X02	Other Department of Transportation Programs	3,157	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
Total Department of Transportation		<u>\$ 269,616,300</u>	<u>\$ 28,127,196</u>
Department of the Treasury			
21.052	Alcohol, Tobacco, and Firearms—Training Assistance	<u>\$ 529,172</u>	<u>\$ —</u>
Total Department of the Treasury		<u>\$ 529,172</u>	<u>\$ —</u>
Office of Personnel Management			
27.011	Intergovernmental Personnel Act (IPA) Mobility Program	<u>\$ 8,197</u>	<u>\$ —</u>
Total Office of Personnel Management		<u>\$ 8,197</u>	<u>\$ —</u>
Equal Employment Opportunity Commission			
30.002	Employment Discrimination—State and Local Fair Employment Practices Agency Contracts	<u>\$ 469,286</u>	<u>\$ —</u>
Total Equal Employment Opportunity Commission		<u>\$ 469,286</u>	<u>\$ —</u>
General Services Administration			
39.002	Disposal of Federal Surplus Real Property	\$ 587,058	\$ 587,022
39.003	Donation of Federal Surplus Personal Property	<u>1,205,074</u>	<u>1,059,501</u>
Total General Services Administration		<u>\$ 1,792,132</u>	<u>\$ 1,646,523</u>
National Aeronautics and Space Administration			
43.001	Aerospace Education Services Program	\$ 42,111	\$ —
43.XX1	Other National Aeronautics and Space Administration Programs	<u>24,000</u>	<u>\$ —</u>
Total National Aeronautics and Space Administration		<u>\$ 66,111</u>	<u>\$ —</u>
National Foundation on the Arts and the Humanities			
45.003	Promotion of the Arts—Arts in Education	\$ 33,434	\$ —
45.007	Promotion of the Arts—State and Regional Program	<u>349,735</u>	<u>\$ —</u>

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
45.009	Promotion of the Arts—Visual Arts	121,751	—
45.011	Promotion of the Arts—Presenting and Commissioning	2,000	—
45.015	Promotion of the Arts—Folk Arts	11,400	—
45.127	Promotion of the Humanities—Elementary and Secondary Education in the Humanities	45,677	—
45.129	Promotion of the Humanities—Federal/State Partnership	4,962	—
45.130	Promotion of the Humanities—Challenge Grants	61,983	—
45.133	Promotion of the Humanities—Interpretive Research/Humanities, Science, and Technology	25,320	—
45.137	Promotion of the Humanities—Humanities Projects in Libraries and Archives	2,689	—
45.142	Promotion of the Humanities—Fellowships for University Teachers	27,007	—
45.150	Promotion of the Humanities—Higher Education in the Humanities	3,000	—
45.151	Promotion of the Humanities—Summer Seminars for School Teachers	166,576	—
45.158	Promotion of the Humanities—Leadership Opportunity in Science and Humanities Education	64,135	—
45.301	Institute of Museum and Library Services	61,807	—
Total National Foundation on the Arts and the Humanities		\$ 981,476	\$ —
National Science Foundation			
47.041	Engineering Grants	\$ 225,703	\$ —
47.049	Mathematical and Physical Sciences	84,386	—
47.050	Geosciences	71,124	—
47.051	Biological, Behavioral, and Social Sciences	1,033	—
47.070	Computer and Information Science and Engineering	301	—
47.074	Biological Sciences	33,855	25,064
47.075	Social, Behavioral, and Economic Sciences	468	—
47.076	Education and Human Resources	682,141	—
47.077	Academic Research Infrastructure	40,855	—
Total National Science Foundation		\$ 1,139,866	\$ 25,064
Small Business Administration			
59.005	Business Development Assistance to Small Business	\$ 5,227	\$ —
59.037	Small Business Development Center	92,552	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
Total Small Business Administration		\$ 97,779	\$ —
Department of Veterans Affairs			
64.005	Grants to States for Construction or State Home Facilities	\$ 5,772,097	\$ —
64.125	Vocational and Educational Counseling for Service Members and Veterans	29,792	—
64.XX1	Other Veterans Administration Programs	126,595	—
Total Department of Veterans Affairs		\$ 5,928,484	\$ —
Environmental Protection Agency			
66.001	Air Pollution Control Program Support	\$ 1,306,137	\$ 162,221
66.032	State Indoor Radon Grants	9,920	—
66.419	Water Pollution Control—State and Interstate Program Support	1,639,144	—
66.432	State Public Water System Supervision	1,138,608	120,821
66.433	State Underground Water Source Protection	127,502	—
66.438	Construction Management Assistance	55,017	—
66.454	Water Quality Management Planning	221,604	—
66.456	National Estuary Program	244,493	—
66.458	Capitalization Grants for State Revolving Funds	9,318,083	8,836,939
66.460	Nonpoint Source Implementation Grants	1,860,455	367,150
66.461	Wetlands Protection—Development Grants	283,349	101,090
66.463	National Pollutant Discharge Elimination System Related State Program Grants	229,190	—
66.464	Near Coastal Waters	19,148	2,247
66.500	Environmental Protection—Consolidated Research	136,633	—
66.505	Water Pollution Control—Research, Development, and Demonstration	404,548	292,647
66.600	Environmental Protection Consolidated Grants—Program Support	14,441	—
66.606	Surveys, Studies, Investigations and Special Purpose Grants	151,194	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	826,651	3,250
66.701	Toxic Substances Compliance Monitoring Program	115,684	—
66.706	Enhancement Grants for State Asbestos Programs	5,123	—
66.707	TSCA Title IV State Lead Grants—Certification of Lead-Based Paint Professionals	239,755	—
66.708	Pollution Prevention Grants Program	122,113	—
66.801	Hazardous Waste Management State Program Support	728,747	—
66.802	Superfund State Site—Specific Cooperative Agreements	1,821,984	—
66.804	State Underground Storage Tanks Program	258,301	—
66.805	Leaking Underground Storage Tank Trust Fund Program	581,240	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
66.808	Solid Waste Management Assistance	114,428	-
66.809	Superfund State Core Program Cooperative Agreements	571,075	-
66.950	Environmental Education and Training Program	10,955	-
66.951	Environmental Education Grants	46,179	-
Total Environmental Protection Agency		\$ 22,601,701	\$ 9,886,365
Nuclear Regulatory Commission			
77.003	Enhance Technology Transfer and Dissemination of Process and Safety Information	\$ 224	\$ -
Total Nuclear Regulatory Commission		\$ 224	\$ -
Department of Energy			
81.041	State Energy Program	\$ 570,895	\$ -
81.042	Weatherization Assistance for Low-Income Persons	1,210,518	1,096,959
81.049	Office of Energy Research Financial Assistance Program	239,180	-
81.052	Energy Conservation for Institutional Buildings	48,826	-
81.065	Nuclear Waste Disposal Siting	82,961	-
81.079	Regional Biomass Energy Programs	59,722	-
81.086	Conservation Research and Development	386,869	-
81.087	Renewable Energy Research and Development	54,169	-
81.092	Environmental Restoration	469,762	-
81.105	National Industrial Competitiveness through Energy, Environment, and Economics	65,113	-
81.X04	Other Department of Energy Programs (BPA-Hatcheries)	1,618,625	-
81.X05	Other Department of Energy Programs (BPA-Planning)	419,741	-
81.X06	Other Department of Energy Programs (BPA-Research)	4,129,377	364,506
81.X07	Other Department of Energy Programs (BPA-Squawfish)	22,000	22,000
81.X08	Other Department of Energy Programs (BPA-Habitat)	1,251,047	4,000
81.X16	BPA - Weatherwise Program	271,382	220,942
81.X17	Other Department of Energy Programs	60,495	-
81.X19	Other Department of Energy Programs (BPA-Construction)	1,754,649	-
81.X20	Other Department of Energy Programs-Basic Science Building at OHSU	1,806	-
81.X26	Other Department of Energy Programs-Energy	218,031	-
81.XX1	Other Department of Energy Programs	5,454,763	10,610
81.XX2	Other Department of Energy Programs-BPA-Construction	32,358	-
Total Department of Energy		\$ 18,422,289	\$ 1,719,017

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
United States Information Agency			
82.002	Educational Exchange—University Lecturers (Professors) and Research Scholars	\$ 80,670	\$ 3,962
Total United States Information Agency		\$ 80,670	\$ 3,962
Federal Emergency Management Agency			
83.009	National Fire Academy — Training Assistance	\$ 2,364	\$ —
83.011	Hazardous Materials Training Program SARA Act of 1986	33,719	—
83.012	Hazardous Materials Assistance Program	9,297	—
83.105	Community Assistance Program –State Support Services Element (CAP–SSSE)	100,179	—
83.505	State Disaster Preparedness Grants	1,278,733	—
83.516	Disaster Assistance	24,152,820	22,601,391
83.521	Earthquake Hazards Reduction Grants	617,160	248,298
83.527	Emergency Management Institute—Training Assistance	19,129	—
83.528	Emergency Management Institute—Field Training Program	17,639	—
83.534	Emergency Management—State and Local Assistance	1,423,644	929,490
83.XX1	Chemical Substance Emergency Protection	4,620,824	4,620,824
Total Federal Emergency Management Agency		\$ 32,275,508	\$ 28,400,003
Department of Education			
84.002	Adult Education—State–Administered Basic Grant Program	\$ 1,720,317	\$ 141,114
84.004	Civil Rights Training and Advisory Services	20,188	—
84.009	Education of Children with Disabilities in State Operated or Supported Schools	3,272	—
84.010	Title I Grants to Local Educational Agencies	71,987,519	—
84.011	Migrant Education—Basic State Grant Program	10,541,429	—
84.012	Educationally Deprived Children—State Administration	(767)	—
84.013	Title I Program for Neglected and Delinquent Children	821,915	—
84.015	National Resource Centers and Fellowships Program – Language Studies	133,172	—
84.016	Undergraduate International Studies and Foreign Language Programs	171,655	—
84.021	International: Overseas—Group Projects Abroad	78,440	—
84.023	Special Education—Innovation and Development	6,825	—
84.024	Early Education for Children with Disabilities	397,985	—
84.025	Services for Children with Deaf–Blindness	116,669	—
84.027	Special Education—Grants to States	24,108,426	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
84.028	Special Education—Regional Resource Centers	1,531,076	72,176
84.029	Special Education—Personnel Development and Parent Training	2,792,908	15,000
84.031	Higher Education—Institutional Aid	505,305	—
84.033	Federal Work–Study Program	771,808	—
84.034	Public Library Services	756,775	659,790
84.035	Interlibrary Cooperation and Resource Sharing	193,416	120,780
84.036	Library Education and Training	10,762	—
84.037	Federal Perkins Loan Cancellations	519,207	—
84.039	Library Research and Demonstrations	985,794	353,102
84.042	TRIO—Student Support Services	1,256,638	—
84.044	TRIO—Talent Search	196,661	—
84.047	TRIO—Upward Bound	273,152	—
84.048	Vocational Education—Basic Grants to States	9,884,818	—
84.049	Vocational Education—Consumer and Homemaking Education	49,159	—
84.053	Vocational Education—State Councils	409,932	—
84.055	Higher Education—Cooperative Education	22,153	—
84.069	State Student Incentives Grants	409,880	—
84.078	Special Education—Postsecondary Education Programs for Persons with Disabilities	127,777	—
84.086	Special Education—Program for Severely Disabled Children	189,612	—
84.097	Law School Clinical Experience Program	100,029	—
84.116	Fund for the Improvement of Postsecondary Education	245,750	8,809
84.117	Educational Research and Development	374,927	—
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	25,040,482	614,956
84.128	Rehabilitation Services—Service Projects	91,184	—
84.129	Rehabilitation Long–Term Training	334,645	—
84.141	Migrant Education—High School Equivalency Program	392,749	—
84.144	Migrant Education—Coordination Program	(207,191)	—
84.149	Migrant Education—College Assistance Migrant Program	348,756	30,484
84.151	Chapter 2—State Block Grants	858	—
84.154	Public Library Construction and Technology Enhancement	85,160	42,791
84.158	Secondary Education and Transitional Services for Youth with Disabilities	687,708	5,560
84.159	Special Education—Studies for Persons with Disabilities	8,208	—
84.160	Training Interpreters for Deaf and Deaf–Blind Individuals	151,763	—
84.161	Rehabilitation Services—Client Assistance Program	707,092	102,718
84.162	Immigrant Education	238,273	—
84.164	Eisenhower Mathematics and Science Education—State Grants	130,276	25,804
84.168	Eisenhower Professional Development—National Activities	625,710	223
84.169	Independent Living—State Grants	242,306	157,503
84.173	Special Education—Preschool Grants	3,852,638	—
84.174	Vocational Education—Community Based Organizations	10,420	—

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
84.177	Rehabilitation Services—Independent Living Services for Older Blind Individuals	213,606	—
84.180	Technology Applications for Individuals with Disabilities	141	—
84.181	Special Education—Grants for Infants and Families with Disabilities	6,521,090	—
84.184	Drug-Free Schools and Communities—National Programs	4,257	—
84.185	Byrd Honors Scholarships	337,421	—
84.186	Drug-Free Schools and Communities—State Grants	5,415,180	964,402
84.187	Supported Employment Services for Individuals with Severe Disabilities	415,155	—
84.190	Christa McAuliffe Fellowships	5	—
84.191	Adult Education—Evaluation and Technical Assistance	4,577	—
84.194	Bilingual Education Support Services	83,443	—
84.195	Bilingual Education Training Grants	52,832	—
84.196	Education for Homeless Children and Youth	217,954	—
84.197	College Library Technology and Cooperation Grants	12,145	—
84.200	Graduate Assistance in Areas of National Need	307,895	—
84.213	Even Start—State Educational Agencies	524,555	69,561
84.215	Fund for the Improvement of Education	951,134	214,962
84.218	State Program Improvement Grants	17,498	—
84.224	State Grants for Assistive Technology	676,476	569,765
84.235	Special Projects and Demonstrations – Vocational Rehab/Individuals with Service Disabilities	191,832	155,756
84.237	Special Education—Program for Children with Serious Emotional Disturbance	104,225	104,225
84.243	Tech-Prep Education	887,762	—
84.249	Foreign Languages Assistance	(14,387)	—
84.252	Urban Community Services	391,445	42,952
84.254	State Literacy Resource Centers	(22,236)	—
84.263	Rehabilitation Training—Experimental and Innovative Training	66,681	—
84.265	Rehabilitation Training—State Vocational Rehabilitation Unit In-Service Training	74,296	—
84.276	Goals 2000—State and Local Education Systemic Improvement Grants	2,704,859	—
84.278	STW State Implementation Grants—Extension	4,054,991	—
84.279	Goals 2000—Assessment Development and Evaluation Grants	483,706	—
84.281	Eisenhower Professional Development State Grants	2,354,011	124,094
84.282	Charter Schools	356,586	—
84.293	Foreign Languages Assistance	57,210	—
84.298	Innovative Education Program Strategies	2,902,705	—
84.304	International Education Exchange	37,397	—
84.314	Even Start—Statewide Family Literacy Program	20,637	—

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
84.XX1	Other Department of Education Programs–Miscellaneous Student Financial Pass Through	34,570	–
84.XXX	Other Department of Education Programs	14,718	–
Total Department of Education		\$ 194,911,993	\$ 4,596,527
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	\$ \$ 1,469	–
Total National Archives and Records Administration		\$ \$ 1,469	–
United States Institute of Peace			
91.001	International Peace and Conflict Management—Research and Education	\$ \$ 14,700	–
Total United States Institute of Peace		\$ \$ 14,700	–
Department of Human Services			
93.041	Special Programs for the Aging–Title VII, Ch 3–Elder Abuse, Neglect, and Exploitation	\$ \$ 78,321	78,321
93.043	Special Programs for the Aging–Title III, Part F–Health Services	326,012	326,012
93.044	Special Programs for the Aging–Title III, Part B–Supportive Services and Senior Centers	4,010,829	4,010,829
93.045	Special Programs for the Aging–Title III, Part C–Nutrition Services	4,236,287	4,236,287
93.046	Special Programs for the Aging–Title III, Part D–In–Home Services for Frail Older Individuals	166,004	166,004
93.048	Special Programs for the Aging–Title IV–Training, Research, Discretionary Projects and Programs	244,130	–
93.049	Special Programs for the Aging–Title VII, Ch 6–Vulnerable Elder Rights Protection Programs	22,131	–
93.101	Grants for Residential Treatment Programs for Pregnant and Postpartum Women	1,891,204	–

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
93.104	Community Mental Health Services—Children with Serious Emotional Disturbances (SED)	6,435	—
93.110	Maternal and Child Health Federal Consolidated Programs	309,896	181,184
93.113	Biological Response to Environmental Health Hazards	16,378	—
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	507,154	101,978
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity	2,621,253	1,329,963
93.119	Technical Assistance Related to the Block Grant—Community Mental Health Services	41,088	1,501
93.125	Mental Health Planning and Demonstration Projects	884,809	425,988
93.130	Primary Care Services—Resource Coordination and Development Primary Care Offices	252,241	—
93.131	Cooperative Agreements for Addiction Treatment Training Centers	587,867	—
93.136	Injury Prevention and Control Research and State Grants Projects	183,589	—
93.150	Projects for Assistance in Transition from Homelessness (PATH)	292,721	292,721
93.161	Health Program for Toxic Substances and Disease Registry	89,177	—
93.169	Demonstration Grants—Pregnant and Postpartum Women and Their Infants (Substance Abuse)	405,802	405,802
93.184	Disabilities Prevention	341,396	—
93.194	Community Partnership Demonstration Grant	154,297	—
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	5,804,737	1,891,780
93.197	Childhood Lead Poisoning Prevention—State and Community Based	472,718	212,948
93.217	Family Planning—Services	1,865,495	1,865,495
93.229	Development and Implementation of Criminal Justice Treatment Networks	216,392	—
93.262	Occupational Safety and Health Research Grants	164,735	—
93.268	Childhood Immunization Grants	2,755,611	2,633,982
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	1,639,080	148,392
93.361	Nursing Research	(3,155)	—
93.390	Academic Research Enhancement Award	23,178	—
93.398	Cancer Research Manpower	23,916	—
93.554	Emergency Protection Grants—Substance Abuse	109,476	—
93.556	Family Preservation and Support Services	2,178,723	854,792
93.558	Temporary Assistance for Needy Families	124,800,372	135,339
93.560	Family Support Payment to States—Assistance Payments	66,270,995	—
93.561	Job Opportunities and Basic Skills Training	2,076,492	—
93.562	Assistance Payment—Research	(30,730)	—
93.563	Child Support Enforcement	34,091,848	—
93.566	Refugee and Entrant Assistance—State Administered Programs	5,530,875	—

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
93.568	Low-Income Home Energy Assistance	14,052,160	13,740,922
93.569	Community Services Block Grant	2,959,434	2,751,910
93.570	Community Services Block Grant—Discretionary Awards	75,726	39,430
93.571	Community Services Block Grant Discretionary Awards— Community Food and Nutrition	56,046	—
93.572	Emergency Community Services for the Homeless	5,675	5,675
93.574	Child Care for Families At-Risk of Welfare Dependency	(5,473,140)	—
93.575	Payment to States for Child Care Assistance	11,525,543	4,766,396
93.576	Refugee and Entrant Assistance—Discretionary Grants	247,767	—
93.580	Family Resource Centers	120,544	—
93.584	Refugee and Entrant Assistance—Targeted Assistance	732,901	—
93.586	State Court Improvement Program	10,270	—
93.588	Community Schools Program	63,324	—
93.590	Community-Based Resource Centers	188,896	188,896
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	25,153,291	—
93.600	Head Start	2,188,175	—
93.608	Child Welfare Research and Demonstration	6,711	—
93.614	Child Development Associate Scholarships	3,815	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	627,521	—
93.631	Developmental Disabilities Projects of National Significance	167,786	—
93.632	Developmental Disabilities University Affiliated Programs	256,837	—
93.643	Children's Justice Grants to States	68,286	—
93.645	Child Welfare Services—State Grants	3,180,530	—
93.647	Social Services Research and Demonstration	21,617	5,514
93.648	Child Welfare Services Training Grants	837,854	—
93.652	Adoption Opportunities	88,655	—
93.656	Temporary Child Care and Crisis Nurseries	738,209	306,149
93.658	Foster Care—Title IV-E	26,797,793	—
93.659	Adoption Assistance	5,771,482	—
93.667	Social Services Block Grant	26,900,276	5,701,193
93.669	Child Abuse and Neglect State Grants	301,379	—
93.671	Family Violence Prevention and Services	353,040	350,307
93.673	Grants to States for Planning and Development-Dependent Care Programs	198,569	—
93.674	Independent Living	961,822	—
93.779	Health Care Financing Research, Demonstrations and Evaluations	247,979	—
93.802	Social Security—Disability Insurance	14,074,251	—
93.807	Supplemental Security Income	914,820	—
93.812	Social Security—Research and Demonstration	232,766	—
93.821	Biophysics and Physiological Sciences	402,913	—
93.856	Microbiology and Infectious Diseases Research	38,024	—
93.859	Pharmacology and Biorelated Chemistry	26,575	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
93.862	Genetics Research	158,445	—
93.863	Cellular and Molecular Basis of Disease Research	(1,518)	—
93.866	Aging Research	44,995	—
93.891	Alcohol Research Center Grants	272,992	—
93.894	Resource and Manpower Development in the Environmental Health Sciences	260,537	—
93.902	Model Comprehensive Drug Abuse Treatment Programs for Critical Populations	(20,211)	—
93.903	Model Criminal Justice Drug Abuse Treatment for Incarcerated/Non-Incarcerated Population	2,214,405	495,003
93.906	Rural Health Medical Education Demonstration Projects	20,952	—
93.917	HIV Care Formula Grants	1,698,998	761,209
93.919	Cooperative Agreements—State Based Breast and Cervical Cancer Early Detection Programs	2,801,603	1,157,689
93.938	Cooperative Agreements—School Health Programs—HIV and Other Health Problems	188,587	—
93.940	HIV Prevention Activities—Health Department Based	340,578	163,010
93.942	Research, Treatment and Education Programs on Lyme Disease in the United States	57,560	—
93.944	HIV and AIDS Surveillance	95,050	40,917
93.949	HIV/AIDS and Related Diseases Among Substance Abusers: Community-Based	206,387	170,498
93.958	Block Grants for Community Mental Health Services	2,800,906	2,800,906
93.959	Block Grants for Prevention and Treatment of Substance Abuse	24,138,266	10,245,106
93.969	Grants for Geriatric Education Centers	85,420	—
93.977	Preventive Health Services—Sexually Transmitted Diseases Control Grants	1,168,244	129,000
93.982	Mental Health Disaster Assistance and Emergency Mental Health	35,865	—
93.987	Health Programs for Refugees	38,322	35,517
93.988	Cooperative Agreements for State-Based Diabetes Control and Evaluation of Surveillance	243,068	83,382
93.989	Senior International Fellowships	21,257	—
93.991	Preventive Health and Health Services Block Grant	1,856,663	1,144,047
93.994	Maternal and Child Health Services Block Grant to the States	3,907,856	2,713,136
Total Department of Human Services		\$ 443,421,128	\$ 67,095,130
Cooperation for National and Community Service			
94.002	Retired and Senior Volunteer Program	\$ (115,077)	\$ —
94.003	State Commission	1,320,600	639,803
94.004	Learn and Serve America—School and Community Based Programs	281,961	—

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
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CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
94.005	Learn and Serve America—Higher Education	88,750	—
94.007	Planning and Program Development Grants	38,680	—
96.005	Special Benefits for Disabled Coal Miners	133,666	—
Total Cooperation for National and Community Service		\$ 1,748,580	\$ 639,803
Food Stamp Program Cluster			
10.551	Food Stamps	\$ 228,148,471	\$ —
10.561	State Administrative Matching Grants for Food Stamp Program	20,199,931	—
Total Food Stamp Program Cluster		\$ 248,348,402	\$ —
Nutrition Cluster			
10.553	School Breakfast Program	\$ 13,775,684	\$ 129,344
10.555	National School Lunch Program	46,606,701	200,933
10.556	Special Milk Program for Children	235,247	—
10.558	Child and Adult Care Food Program	30,817,183	97,412
10.559	Summer Food Service Program for Children	1,563,839	101,559
Total Nutrition Cluster		\$ 92,998,654	\$ 529,248
Section 8 Cluster			
14.856	Lower Income Housing Assistance Program—Section 8 Moderate Rehabilitation	\$ 28,420,637	\$ —
Total Section 8 Cluster		\$ 28,420,637	\$ —
Student Financial Assistance Cluster			
47.041	Engineering Grants	\$ \$ 4,608	—
47.074	Biological Sciences	301	—
84.007	Federal Supplemental Educational Opportunity Grants	4,691,405	—
84.015	National Resource Centers and Fellowships Program for Language Studies	9,171	—
84.032	Federal Family Education Loans	62,526,597	—
84.033	Federal Work–Study Program	3,917,755	—
84.038	Federal Perkins Loan Program—Federal Capital Contributions	368,337	—
84.063	Federal Pell Grant Program	20,968,629	—

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State of Oregon
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CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
84.087	Indian Education—Fellowships for Indian Students	7,133	—
84.242	National Science Scholars	452	—
84.268	Federal Direct Student Loan	165,286,931	—
Total Student Financial Assistance Cluster		\$ 257,781,319	\$ —
Medicaid Cluster			
93.775	State Medicaid Fraud Control Units	\$ \$ 349,693	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	3,607,080	—
93.778	Medical Assistance Program	1,098,277,913	51,084,271
Total Medicaid Cluster		\$ 1,102,234,686	\$ 51,084,271
Foster Grandparent/Senior Companion Cluster			
94.011	Foster Grandparent Program	\$ \$ 202,599	—
Total Foster Grandparent/Senior Companion Cluster		\$ \$ 202,599	—
Research and Development Cluster			
10.001	Agricultural Research—Basic and Applied Research	\$ \$ 463,590	—
10.156	Federal—State Marketing Improvement Program	99,331	—
10.200	Grants for Agricultural Research, Special Research Grants	3,934,954	488,398
10.206	Grants for Agricultural Research—Competitive Research Grants	1,449,987	23,779
10.207	Animal Health and Disease Research	57,481	—
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants	121,352	—
10.217	Higher Education Challenge Grants	10,034	—
10.240	Alternative Agricultural Research and Commercialization Program	16,870	—
10.250	Agricultural and Rural Economic Research	11,856	—
10.500	Cooperative Extension Service	37,100	—
10.501	Agricultural Telecommunications Program	14,562	—
10.560	State Administrative Expenses for Child Nutrition	48,333	—
10.652	Forestry Research	4,297,280	—
10.664	Cooperative Forestry Assistance	393,925	—
10.901	Resource Conservation and Development	80,538	—

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State of Oregon
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CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
10.902	Soil and Water Conservation	208,066	-
10.960	Technical Agricultural Assistance	49,357	-
10.961	International Agricultural Research Program	8,050	-
10.962	International Training--Foreign Participant	24,531	-
10.XX1	Other Forest Service Programs	248	-
10.XX2	Agency/Consortium International Development	1,937,825	-
11.110	Trade Development	1,794	-
11.312	Research and Evaluation Program	15,811	-
11.417	Sea Grant Support	1,983,388	-
11.419	Coastal Zone Management Administration Awards	888,311	-
11.426	Financial Assistance--Ocean Resources Conservation and Assessment Program	3,239	-
11.427	Fisheries Development and Utilization Research	1,208,896	-
11.430	Undersea Research	58,336	-
11.431	Climate and Atmospheric Research	58,950	-
11.437	Pacific Fisheries Data Program	15,817	-
11.449	Independent Education and Science Projects and Programs	4,996	-
11.455	Cooperative Science and Education Program	240,907	-
11.460	Special Oceanic and Atmospheric Projects	183,182	-
11.464	Marine Research--Regional Programs	7,907	-
12.001	Industrial Equipment Loans to Educational Institutions	18,119	-
12.002	Procurement Technical Assistance For Business Firms	81,610	-
12.114	Collaborative Research and Development	527,953	122,176
12.300	Basic and Applied Scientific Research	6,912,747	-
12.401	National Guard Military Operations and Maintenance	4,845	-
12.420	Military Medical Research and Development	20,986	-
12.431	Basic Scientific Research	1,238,289	-
12.800	Air Force Defense Research Sciences Program	601,803	-
12.900	Language Grant Program	25,250	-
12.901	Mathematical Sciences Grants Program	33,077	-
12.910	Research and Technology Development	1,572,065	-
12.XX3	Other Defense Programs (Army and American Academy of Science)	5,506	-
12.XXX	Other Department of Defense Programs	91,536	-
14.511	Community Outreach Partnership Center Program	4,988	-
15.219	Wildlife Habitat Management Technical Assistance	32,058	-
15.221	Cooperative Agreements for Research in Public Lands Management	180	-
15.224	Cultural Resource Management	47,594	-
15.225	Recreation Resource Management	1,864,976	-
15.600	Anadromous Fish Conservation	(3,455)	-
15.605	Sport Fish Restoration	47,477	-
15.608	Fish and Wildlife Management Assistance	126,272	-

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
15.611	Wildlife Restoration	152,440	—
15.805	Assistance to State Water Resources Research Institutes	127,355	—
15.807	Earthquake Hazards Reduction Program	219,185	—
15.808	Geological Survey—Research and Data Acquisition	661,982	—
15.904	Historic Preservation Fund Grants—In—Aid	2,985	—
15.915	Technical Preservation Services	40,543	—
15.916	Outdoor Recreation—Acquisition, Development and Planning	357,099	—
15.919	Urban Park and Recreation Recovery Program	2,133	—
15.921	Rivers, Trails, and Conservation Assistance	697	—
15.975	Research Information	1,711,642	—
15.976	Migratory Bird Banding and Data Analysis	196,853	—
15.977	State Partnerships	4,639	—
15.XX1	Other Department of the Interior Programs	5,561	—
16.560	Justice Research, Development, and Evaluation Project Grants	144,603	—
16.579	Drug Control and System Improvement—Formula Grant	27,761	—
17.503	Occupational Safety and Health	40,176	—
17.XX1	Other Department of Labor Programs	137	—
20.107	Airway Science	653,489	—
20.205	Highway Planning and Construction	1,126,668	—
20.215	Highway Training and Education	225,805	69,227
20.502	Federal Transit Grants for University Research and Training	70,605	—
20.505	Federal Transit Technical Studies Grants	15,556	—
20.515	State Planning and Research	53,180	—
20.600	State and Community Highway Safety	61,066	—
20.701	University Transportation Centers Program	84,280	—
43.001	Aerospace Education Services Program	1,002,787	317,948
43.002	Technology Transfer	4,915,847	286,051
43.XX1	Other National Aeronautics and Space Administration Programs	749,446	—
45.145	Promotion of the Humanities—Reference Materials	30,814	—
45.XXX	Other National Foundation on the Arts and the Humanities	62,331	—
47.041	Engineering Grants	976,809	—
47.049	Mathematical and Physical Sciences	4,716,013	—
47.050	Geosciences	11,343,202	89,392
47.051	Biological, Behavioral, and Social Sciences	131,497	—
47.067	Materials Development, Research, and Informal...	30,732	—
47.070	Computer and Information Science and Engineering	2,117,709	1,951
47.073	Science and Technology Centers	237,121	—
47.074	Biological Sciences	5,785,901	—
47.075	Social, Behavioral, and Economic Sciences	479,895	—
47.076	Education and Human Resources	934,853	—
64.115	Veterans Information and Assistance	243,151	—
66.001	Air Pollution Control Program Support	60,059	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
66.454	Water Quality Management Planning	249,727	-
66.456	National Estuary Program	90,007	-
66.460	Nonpoint Source Implementation Grants	110,229	-
66.461	Wetlands Protection—Development Grants	35,465	-
66.465	Wellhead Protection Demonstration Projects	6,746	-
66.500	Environmental Protection—Consolidated Research	792,803	-
66.501	Air Pollution Control Research	545,212	-
66.502	Pesticides Control Research	171,355	-
66.504	Solid Waste Disposal Research	284,663	-
66.505	Water Pollution Control—Research, Development, and Demonstration	2,444,282	-
66.507	Toxic Substances Research	302,586	-
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	(37,587)	-
66.951	Environmental Education Grants	48,181	-
77.003	Enhance Technology Transfer and Dissemination of Process and Safety Information	714,550	-
81.004	University—Laboratory Cooperative Program	76,267	-
81.049	Office of Energy Research Financial Assistance Program	11,933,497	569,352
81.077	University Research Instrumentation	17,275	-
81.079	Regional Biomass Energy Programs	2,822	-
81.080	Office of Policy Financial Assistance	41,712	-
81.086	Conservation Research and Development	65	-
81.087	Renewable Energy Research and Development	321,533	-
81.092	Environmental Restoration	66,238	-
81.104	Technology Development for Environmental Management	125,671	-
81.109	Financial Assistance Program—Science Education and Technical Information	120,531	-
81.XX1	Other Department of Energy Programs	146,119	-
82.002	Educational Exchange—University Lecturers (Professors) and Research Scholars	34,256	-
83.521	Earthquake Hazards Reduction Grants	137,397	-
83.523	Federal Emergency Management Food and Shelter Program	3,731	-
84.017	International Research and Studies	49,281	-
84.023	Special Education—Innovation and Development	832,819	75,000
84.024	Early Education for Children with Disabilities	733,881	-
84.025	Services for Children with Deaf-Blindness	2,210,454	-
84.027	Special Education—Grants to States	69,038	-
84.028	Special Education—Regional Resource Centers	28,567	-
84.029	Special Education—Personnel Development and Parent Training	215,618	-
84.069	State Student Incentives Grants	369,136	-
84.073	National Diffusion Network	41,462	-
84.086	Special Education—Program for Severely Disabled Children	679,229	-
84.116	Fund for the Improvement of Postsecondary Education	109,102	-

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
84.128	Rehabilitation Services—Service Projects	37,592	—
84.133	National Institute on Disability and Rehabilitation Research	1,559,114	333,053
84.144	Migrant Education—Coordination Program	85,503	—
84.158	Secondary Education and Transitional Services for Youth with Disabilities	252,334	—
84.168	Eisenhower Professional Development—National Activities	6,504	—
84.180	Technology Applications for Individuals with Disabilities	938,326	—
84.200	Graduate Assistance in Areas of National Need	144,137	—
84.215	Fund for the Improvement of Education	3,189	—
84.235	Special Projects and Demonstrations – Vocational Rehab/Individuals with Service Disabilities	1,950,648	—
84.237	Special Education—Program for Children with Serious Emotional Disturbance	216,941	—
84.243	Tech–Prep Education	(283)	—
84.257	National Institute for Literacy	1,045	—
84.279	Goals 2000—Assessment Development and Evaluation Grants	28,159	—
84.XXX	Other Department of Education Programs	328,524	—
93.036	Child Care for Families At–Risk of Welfare Dependency	1,570	—
93.103	Food and Drug Administration–Research	419,660	59,515
93.106	Minority International Research Training Grant in the Biomedical and Behavioral Sciences	4,399	—
93.110	Maternal and Child Health Federal Consolidated Programs	2,293,769	—
93.113	Biological Response to Environmental Health Hazards	2,169,444	152,054
93.114	Applied Toxicological Research and Testing	210,851	—
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity	343,874	—
93.121	Oral Diseases and Disorders Research	1,125,370	—
93.136	Injury Prevention and Control Research and State Grants Projects	335,332	—
93.155	Rural Health Research Centers	22,367	—
93.172	Human Genome Research	249,132	—
93.173	Research Related to Deafness and Communication Disorders	971,299	—
93.184	Disabilities Prevention	265,435	—
93.186	National Research Services Awards	2,579	—
93.189	Health Education and Training Centers	286,203	—
93.191	Allied Health Project Grants	63,567	—
93.198	Biological Models and Materials Research	103,563	—
93.214	Extramural Research Facilities	131,316	—
93.225	National Research Service Awards—Health Services Research Training	189,752	—
93.226	Health Services Research and Development Grants	33,257	—
93.230	Consolidated Knowledge Development and Application Program	516,908	—
93.242	Mental Health Research Grants	2,796,428	—
93.262	Occupational Safety and Health Research Grants	72,849	—
93.263	Occupational Safety and Health—Training Grants	2,178	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
93.272	Alcohol National Research Service Awards for Research Training	210,151	-
93.273	Alcohol Research Programs	870,738	-
93.277	Drug Abuse Scientist, Research Scientist Development, and Research Scientist Awards	255,585	-
93.278	Drug Abuse National Research Service Awards for Research Training	257,674	-
93.279	Drug Abuse Research Programs	2,567,924	-
93.281	Scientist Development, Research Scientist Development, Scientist Development Awards	349,916	-
93.282	Mental Health National Research Service Awards for Research Training	211,390	-
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	4,367	-
93.298	Nurse Practitioner and Nurse–Midwifery Education Programs	466,371	-
93.306	Comparative Medicine Program	308,646	-
93.333	General Clinical Research Centers	2,327,517	-
93.337	Biomedical Research Support	154,327	-
93.358	Professional Nurse Traineeships	158,587	-
93.359	Nurse Training Improvement—Special Projects	26,895	-
93.361	Nursing Research	806,463	-
93.379	Grants for Graduate Training in Family Medicine	193,427	-
93.389	Research Centers in Minority Institutions	174,209	-
93.390	Academic Research Enhancement Award	38,598	-
93.393	Cancer Cause and Prevention Research	1,791,036	62,688
93.395	Cancer Treatment Research	794,418	-
93.396	Cancer Biology Research	511,237	-
93.397	Cancer Centers Support	(5,097)	-
93.398	Cancer Research Manpower	199,319	-
93.554	Emergency Protection Grants—Substance Abuse	22,472	-
93.561	Job Opportunities and Basic Skills Training	198,615	-
93.575	Payment to States for Child Care Assistance	9	-
93.608	Child Welfare Research and Demonstration	197,391	-
93.632	Developmental Disabilities University Affiliated Programs	266,573	-
93.645	Child Welfare Services—State Grants	604,460	-
93.647	Social Services Research and Demonstration	89,364	-
93.652	Adoption Opportunities	192,689	-
93.658	Foster Care—Title IV–E	211,054	-
93.669	Child Abuse and Neglect State Grants	27,703	-
93.670	Child Abuse and Neglect Discretionary Activities	169,790	-
93.821	Biophysics and Physiological Sciences	4,348,838	-
93.824	Area Health Education Centers	2,025,767	-
93.837	Heart and Vascular Diseases Research	3,075,219	-
93.838	Lung Diseases Research	901,522	-

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
93.839	Blood Diseases and Resources Research	1,897,515	—
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	452,261	—
93.847	Diabetes, Endocrinology and Metabolism Research	4,345,918	—
93.848	Digestive Diseases and Nutrition Research	882,431	—
93.849	Kidney Diseases, Urology and Hematology Research	1,010,606	—
93.853	Clinical Research Related to Neurological Disorders	884,454	—
93.854	Biological Basis Research in the Neuroscience's	5,776,590	—
93.855	Allergy, Immunology and Transplantation Research	912,833	—
93.856	Microbiology and Infectious Diseases Research	2,672,351	—
93.859	Pharmacology and Biorelated Chemistry	1,553,786	—
93.862	Genetics Research	3,142,537	—
93.863	Cellular and Molecular Basis of Disease Research	409,218	—
93.864	Population Research	391,355	—
93.865	Research for Mothers and Children	3,791,992	—
93.866	Aging Research	2,618,614	—
93.867	Vision Research	2,989,370	—
93.871	Strabismus, Amblyopia and Visual Processing	131,876	—
93.879	Medical Library Assistance	605,955	—
93.884	Grants for Residency Training—General Internal Medicine/ General Pediatrics	(2,177)	—
93.886	Grants for Physician Assistant Training Program	220,345	—
93.891	Alcohol Research Center Grants	1,809,559	—
93.894	Resource and Manpower Development in the Environmental Health Sciences	1,871,036	—
93.895	Grants for Faculty Development in Family Medicine	111,798	—
93.896	Grants for Predoctoral Training in Family Medicine	84,246	—
93.900	Grants for Faculty Development in General Internal Medicine and/or General Pediatrics	130,950	—
93.912	Rural Outreach—Rural Network Development Program	105,754	—
93.913	Grants to States for Operation of Offices of Rural Health	75,535	—
93.922	NIH Science Education Award	9,191	—
93.926	Healthy Start Initiative	640	—
93.928	Special Projects of National Significance	881,268	—
93.929	Center for Medical Rehabilitation Research	2,616	—
93.931	Demonstration Grants to States for Community Scholarships	14,996	—
93.934	Fogarty International Research Collaboration Award	77,320	—
93.969	Grants for Geriatric Education Centers	223,607	—
93.984	Grants for Establishment of Departments of Family Medicine	187,739	—
93.989	Senior International Fellowships	10,662	—
93.994	Maternal and Child Health Services Block Grant to the States	247,368	—
93.XX1	Other Health and Human Services Programs (Vital Statistics Cooperative Program)	1,218,824	—

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, 1997

CFDA Program No.	Federal Funding Agencies and Program Titles	Program Expenditures	Provided to Subrecipients
94.005	Learn and Serve America—Higher Education	18,828	—
	Total Research and Development Cluster	\$ 180,056,973	\$ 2,650,584
	Total Federal Financial Assistance	\$ 3,677,336,797	\$ 372,481,814

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of
Expenditures of Federal Awards
For the Year Ended June 30, 1997**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the state of Oregon and is presented using the bases of accounting of the originating funds. These include both the modified accrual and accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2. Programs Involving Non-Cash Assistance

Federal expenditures reported in the schedule include non-cash assistance. Non-cash assistance in the schedule is reported at fair value for programs 10.550, 10.551, and 93.268. The U.S. General Services Administration determines the value for program 39.003. The following is a list of the non-cash programs included in the schedule:

<u>Program Number</u>	<u>Program Title</u>	<u>Types of Assistance</u>
10.550	Food Distribution	Donated Commodities
10.551	Food Stamps	Redeemable Food Coupons
39.003	Donation of Federal Surplus Personal Property	Donated Personal Property
93.268	Childhood Immunization Grants	Donated Commodities

Note 3. Loans Outstanding

The state of Oregon had the following loan balances outstanding at June 30, 1997, which are not included in the schedule. Loans made during the year are included in the federal expenditures presented in the schedule.

<u>Loans/Guarantees Program Number</u>	<u>Program Title</u>	<u>June 30, 1997 Balance</u>
11.307	Special Economic Development and Adjustment Assistance Program	\$ 2,250,781
66.458	Capitalization Grants for State Revolving Funds	68,663,612
84.032	Federal Family Education Loans	643,038,417
84.038	Federal Perkins Loan Program — Federal Capital Contributions	74,502,962
93.342	Health Professionals Student Loans	5,742,143

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1997**

93.364	Nursing Student Loans	<u>1,364,296</u>
	Total	<u>\$ 795,562,211</u>

Note 4. Pass-through Awards

The state of Oregon cannot separately identify its pass-through awards because amounts are commingled with other funds.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) 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 weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)? yes no

**State of Oregon
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 1997**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Food Program for Women, Infants, and Children
10.665	Schools and Roads — Grants to States
17.225	Unemployment Insurance
20.205	Highway Planning and Construction
39.003	Donation of Federal Surplus Personal Property
66.458	Capitalization Grants for State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education — Basic State Grant Program
84.027	Special Education — Grants to States
84.048	Vocational Education — Basic Grants to States
84.126	Rehabilitation Services — Vocational Rehabilitation Grants to States
84.276	Goals 2000 — State and Local Education Systemic Improvement Grants
84.281	Eisenhower Professional Development State Grants
84.298	Innovative Education Program Strategies
93.558	Temporary Assistance for Needy Families
93.560	Family Support Payments to States — Assistance Payments
93.561	Job Opportunities and Basic Skills Training
93.563	Child Support Enforcement
93.575	Payment to States for Child Care Assistance
93.658	Foster Care — Title IV-E
93.667	Social Services Block Grant
	Food Stamp Program Cluster
	Nutrition Cluster
	Section 8 Cluster
	Student Financial Assistance Cluster
	Medicaid Cluster
	Research & Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$11,032,010

Auditee qualified as low-risk auditee? yes no

Section II — Financial Statement Findings

97-1

General Fund Creation

The state does not record all of its general fund financial activities in a central general ledger or set of accounts. The *Comprehensive Annual Financial Report* (CAFR) general fund financial statements are, therefore, created from accounting systems, funds, and records of various state agencies. The Department of Administrative Services (DAS) has prepared written procedures to follow when creating the state's general fund. This process of creating the general fund financial statements is, however, excessively complex and does not always produce fully supportable general fund balances.

The state is implementing a new statewide accounting system (SFMS) that, when fully implemented, should provide centralized accounting for all general fund transactions and balances. Meanwhile, pending full implementation of SFMS, the current creation process increases the risk of errors or omissions in financial reporting for the general fund.

Most state agencies with general fund financial activity should be on the SFMS system by June 30, 1998. This should facilitate the preparation of general fund financial statements.

We recommend DAS continue its efforts towards preparing general fund financial statements directly from the accounting records rather than creating those statements.

AGENCY RESPONSE:

The Department of Administrative Services concurs with the auditor's finding. The noted complexity of reporting from several accounting and financial reporting systems is one of the primary areas addressed by the implementation of SFMS. The new system provides a centralized general ledger and will remove the need for much of the General Fund creation that was done in the past. However, the noted adjustments to cash and fund balance, which have been a part of the General Fund creation process for a number of years, will continue to be necessary until SFMS is fully implemented.

To facilitate full implementation of SFMS, the Department established the General Fund Committee in January 1997 to ensure a common understanding of the General Fund accounting balances and to develop improved accounting procedures for the General Fund. The General Fund Committee consists of staff from the State Controller's Division, the Audits Division, the Office of Economic Analysis, the Budget and Management Division, and the Oregon State Treasury. The committee has made several improvements to General Fund accounting processes and will continue to do so until all General Fund accounting and financial reporting issues are resolved.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997

The General Fund creation procedures were revised for fiscal year 1997 with the intention of relying more on SFMS to account for activities. In preparation for the compilation of the fiscal year 1998 General Fund financial statements, the Department will continue its efforts to more fully utilize SFMS as we make progress toward full implementation of the system, which is expected to be completed by December 1998.

97-2

General Fund Reconciliation

The Department of Administrative Services (DAS) needs to improve the state's general fund cash reconciliation because, as currently prepared, it is not an effective control for ensuring fair presentation of general fund cash in the financial statements. The reconciliation currently combines several fund types and does not provide an adequate way to identify general fund cash separately from cash of other fund types. Additionally, the reconciliation contains too many unidentified differences. The reconciliation, as presently prepared and supported, poses a higher risk than necessary that errors in financial reporting will occur and not be detected in the preparation of the general fund financial statements.

The cash reconciliation weaknesses result from using multiple accounting systems; having an incomplete general fund general ledger; using accounting system reports with errors; and combining several fund types into the general fund reconciliation. DAS has been completing the reconciliation in a timely manner, which was not always the case in past years, and recently, DAS has also assigned additional resources to solving the problems associated with the reconciliation.

We recommend DAS continue its efforts to correct the problems with the current reconciliation process, and determine how the reconciliation can be modified, making it a more useful tool for verifying the general fund cash balance.

AGENCY RESPONSE:

The Department of Administrative Services concurs with the auditor's recommendation. The process to reconcile the legal General Fund cash accounting balance to the legal General Fund cash balance at the State Treasury involves a tremendous volume of transactions and is further complicated by the conversion of agencies from various accounting systems to SFMS, which has been ongoing since early 1995. When all agencies have migrated to SFMS and the Control Accounting System is eliminated, the reconciliation process will be less complex.

In the meantime, unidentified differences continue to be researched and resolved. The Department has also made improvements to the reconciliation process. With the

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997

concurrency of the Audits Division, the Department now reconciles to the general ledger cash balance at the fiscal month end closing. This change allows for the use of existing SFMS reports for the reconciliation.

The Department intends to make additional improvements to the reconciliation to allow for the verification of the GAAP General Fund cash balance as reported in the Oregon Comprehensive Annual Financial Report. Although this change does not improve the monthly reconciliation of the legal General Fund cash balance, the Department agrees with the Audits Division that the reconciliation on a GAAP fund basis at the fiscal year end closing is required to help confirm the cash balance reported in the audited financial statements. It is expected that the fiscal year 1998 cash balance reconciliation will occur by December 1998.

97-3

Year 2000 Assessment

The Department of Administrative Services (DAS) created the Year 2000 (Y2K) Project Office in August 1996 to serve as the state's Y2K coordinator. The Y2K Project Office has defined what it means to be "Year 2000 compliant." The policy requires state agencies to identify Y2K risks; take corrective action; and certify that systems are Y2K compliant. All state agencies are encouraged to be compliant by June 1999.

The Y2K risks exist because information systems were originally programmed using two-digit year codes. Programmers consistently abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Unless corrected, this shortcut could result in problems such as the year 2001 being interpreted as 1901. Consequently, some computer programs may process data inaccurately or stop processing altogether.

The U. S. General Accounting Office (GAO) states that a program to make systems Y2K compliant requires awareness, assessment, renovation (correction), validation (testing), implementation, and program management. To allow time to adequately perform the testing and implementation phases before 2000, DAS has stated that agencies should have started the correction phase by September 1997.

We performed a high level risk assessment of Y2K readiness for 17 state agencies during the 1997 statewide audit. These agencies were not selected based on their Y2K risks. It is too early to assess whether agencies are truly at risk of not being compliant by June 1999. However, we made a number of observations and identified concerns that DAS should be addressing with state agencies. These concerns include:

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997

- Possible problems meeting Y2K deadlines because of delays finding contractors and/or lack of staff to perform contract management for agencies contracting out their Y2K projects.
- Insufficient effort devoted to identifying and testing systems that are assumed to be Y2K compliant because they were certified as Y2K compliant when purchased.
- Lack of contingency plans for a possible Y2K failure for critical information systems at some agencies.
- Assurance that Y2K compliance work is prioritized so that the most critical systems are addressed first.
- A need for state agencies to fully document each stage of their Y2K projects.

In addition, the Y2K Project Office has primarily functioned to raise awareness of the Y2K compliance issue. It has also served as a clearinghouse, gathering information on agency progress and reporting to the legislature. These are necessary functions; however, the state needs to monitor the accuracy and quality of the information being received from agencies. We understand that DAS is planning to add a “compliance assurance process” within the Y2K Project Office.

We recommend the Y2K Project Office continue its awareness and education campaign to ensure that all state agencies know of the potential problems inherent in Y2K projects. More centralized tracking of progress on mission-critical systems should help to ensure critical systems are given priority, and identify critical systems at risk of not being completed by June 1999. The state must have the information necessary to make decisions and allocate resources to ensure the most critical systems meet the deadline.

We recommend DAS work with state agencies to assure that they become Y2K compliant in a timely manner by:

- Making sure that agencies hire competent contractors in a timely manner.
- Reminding agencies of the potential problems associated with vendor applications that are certified Y2K compliant.
- Working with agencies to ensure they develop realistic contingency plans.
- Ensuring that agencies understand the time required to properly complete the testing phase of their Y2K projects.
- Ensuring that agencies prioritize their conversion to ensure that the most critical systems are given sufficient priority.
- Reminding agencies that contract out their Y2K project of the contract management responsibilities.
- Making sure that agencies are not using valuable resources on non-critical systems.
- Verifying that agencies document their Y2K conversion to help minimize legal problems in the event of a Y2K failure.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1997

- Taking on a more proactive role in monitoring Y2K resources to ensure completion of projects most critical to the state as a whole.

AGENCY RESPONSE:

Overall, the Department of Administrative Services is in agreement with the auditor's concerns and recommendations. The auditor's review provides support for closer, collaborative interaction with agency Year 2000 project managers and coordinators and lends support to expand statewide efforts to:

- *Initiate a compliance assurance process.*
- *Track remedial progress on mission critical systems on a statewide basis.*
- *Work collaboratively with agencies to ensure continued attention to key Year 2000 process issues.*
- *Ensure that agencies appropriately document their renovation plans and testing efforts.*
- *Assist agencies with the development of business continuation plans (contingency plans) for mission critical systems.*

The observations made by the Audits Division are insightful, and the noted concerns are shared at the DAS Y2K Statewide Project Office. Our response on specific concerns and recommendations are as follows.

General comments

The Department of Administrative Services concurs with the auditor's recommendations. The Department will continue its campaign to raise awareness among agencies of the expanding Year 2000 issues. The Department has been proactive in monitoring agency progress on mission critical systems and will continue with the upcoming compliance assurance effort. The compliance assurance process will begin with the awarding of a contract in May 1998.

Hire competent contractors in a timely manner

The Department of Administrative Services generally concurs with the auditor's recommendation. While we have limited power to ensure agencies hire contractors in a timely manner, the Department has stressed and will continue to stress the importance to state agencies of timely contracting. Agencies will be reminded of the importance of timely contracting in our monthly Statewide Year 2000 Interest Group meetings. The Department will also discuss this issue with individual agencies as needed.

Potential problems of user-developed applications

The Department of Administrative Services concurs with the auditor's recommendation. In the February 1998 Interest Group Meeting, the Department arranged for representatives from Microsoft to discuss the implications that Year 2000

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may have on user-developed applications created with Microsoft software. In addition, the Department has informed agencies via the Statewide Year 2000 Interest Group meetings of this potential problem on many occasions and will continue to do so at monthly meetings.

Developing realistic contingency plans

The Department of Administrative Services concurs with the auditor's recommendation. For mission-critical state applications, the Department will examine contingency plans prepared by state agencies. Where necessary, we will make recommendations for improvement. The Department expects to have reviewed agencies' contingency plans by January 1999.

Adequate time for testing

The Department of Administrative Services concurs with the auditor's recommendation. The Statewide Year 2000 Interest Group has evolved into a more proactive meeting where agencies are encouraged to discuss their experiences. One of the common themes among those communicating is the amount of time required to complete testing. The Department will continue to spread this message through the Statewide Year 2000 Interest Group and discussions with individual agencies.

Reminding agencies of contract management responsibilities

The Department of Administrative Services concurs with the auditor's recommendation. The Department's Information Resources Management Division and the Purchasing Section of the Transportation, Purchasing and Print Services Division has and will continue to communicate to agencies the need to exercise strong contract management. In addition, the Department of Justice has discussed the need for proper contract management at Statewide Year 2000 Interest Group meetings on numerous occasions. The Department will continue to remind agencies via our monthly statewide interest group meetings of the importance of proper contract management techniques.

Documenting Y2K conversion

The Department of Administrative Services concurs with the auditor's recommendation. The compliance assurance process, beginning in May 1998, will examine the adequacy of agencies' documentation. The Department expects to continue this process through January 1999. In the event there are weaknesses in documentation, the Department will follow up with agencies to ensure identified weaknesses are addressed.

Proactive and global role

The Department of Administrative Services generally concurs with the auditor's recommendation. In September 1997, the Information Resources Management Division required all state agencies to review a list of applications prioritized by the Statewide Y2K Office to confirm whether they agreed with the prioritization. This information was

used to generate a statewide priority list. The Department has and will continue to urge agencies to perform work on their most critical applications first.

The Department's Year 2000 Project Office plans include continual reassessment of staff redeployment needs. Redeployment will occur if the compliance assurance process identifies resource needs throughout the state or if the state identifies resource needs at a later date.

97-4

Capital Construction Financial Reporting

The Department of Corrections should improve internal control over capital construction financial reporting. Significant deficiencies in the recording and reporting of capital construction activities occurred because written policies and procedures were not available for use by new and inexperienced employees.

The absence of written policies and procedures resulted in the following incorrect and inconsistent reporting during the year.

- Earnings on investments were not accrued at year-end, resulting in understating interest income by \$262,000.
- Payments to contractors were not recorded in Control Accounting for several months, resulting in overstated cash balances exceeding \$50 million during the same period.
- Payments to contractors were recorded at different levels of detail in the accounting system during the year, resulting in inconsistent internal reporting of similar transactions.
- Transactions for the administrative activities of the capital projects fund were recorded in the special revenue fund, resulting in reporting these activities in the wrong statewide financial reporting fund. These errors were subsequently corrected during our review of the accounts and transactions.

We recommend the Department of Corrections improve its financial reporting for capital construction activities by preparing written policies and procedures. Once the written policies and procedures are in place, someone within the department should be assigned to periodically monitor their performance.

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AGENCY RESPONSE:

We concur with the finding and recommendations made resulting from the statewide audit that included selected accounts and transactions at the Department of Corrections for the year ended June 30, 1997.

As recommended, the Department of Corrections will improve internal control over capital construction financial reporting. In accordance with the Single Audit Act, we are responding to the finding in writing.

We are currently initiating a special project to review processes and procedures for capital construction activities, to improve financial reporting for capital construction activities and to develop written policies and procedures. A person within the Department will be assigned to periodically monitor the implementation of the new written policies and procedures.

97-5

Information Systems Risk Assessment

The Office of Information Services (OIS), within the Department of Human Resources Director's Office, has not performed a risk assessment of the Information Technology (IT) systems that were formerly the responsibility of the Senior and Disabled Services Division and the State Office for Services to Children and Families. The Information Resources Management Division of the Oregon Department of Administrative Services requires that risk assessments be performed at least biennially. This finding was reported in the prior audit.

This weakness increases the risk of unauthorized access to confidential data, loss of data, damage to or loss of software or hardware, issuance of unauthorized client benefits, interruption of authorized client benefits, unexpected expense to restore operations, and general disruption of agency business.

We recommend OIS perform risk assessments of the IT systems for which it is responsible at least biennially.

AGENCY RESPONSE:

We agree that ongoing risk assessments are an important component of systems management. Currently, the Department of Human Resources, Office of Information Systems (OIS), is facing a very significant risk related to the Year 2000 (Y2K) problem. As a result, the Department is dedicating all available resources to remediation and mitigation of system risk as relates to Y2K. All systems have been inventoried and assessed as to Y2K compliance, and systems are being monitored on a weekly basis for

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remediation and risk status. We are also in the process of developing a contingency plan related to the systems identified as Y2K non-compliant systems to supplement our operational disaster recovery plans. At such time as the system risks created by Y2K are mitigated, the Department will resume routine risk assessments for all systems managed by OIS.

97-6

Fixed Assets

Oregon State University (OSU) had not completed a physical inventory at June 30, 1997. OSU uses a two year cycle in which to complete their physical inventory, performing half of the physical count each year. As of June 30, 1996, we noted that OSU had properly completed their counts of fixed assets items, however the rest of the inventory counts were not completed in fiscal year 1997. Therefore, the physical inventory was not completed. OSU also did not complete a reconciliation of the equipment balances recorded in the Investment in Plant Fund per the general ledger to the fixed asset subsidiary ledger. As of June 30, 1997, the difference between the subsidiary ledger and general ledger was \$1.2 million.

In accordance with the Oregon University System policy and OMB Circular A-110, a physical inventory count of equipment is required to be performed, at a minimum, once every two years. Proper internal controls suggest that timely reconciliations should be performed between the general ledger and the fixed asset subsidiary ledger, to ensure that all additions and deletions are being recorded.

OSU did not record current year building additions of approximately \$45 million and did not record disposals of buildings and land, approved for disposal by the Board of Directors for the Oregon University System, in the general ledger. We also noted numerous equipment items that had been disposed or sold during the current year, but not removed from the subsidiary detail or general ledger.

Significant employee turnover seems to be the primary reason for the physical inventory and reconciliation not being completed.

We recommend that a physical inventory be completed in fiscal year 1998, and on a regular basis thereafter. We also recommend that a reconciliation of the general ledger to the fixed asset subsidiary ledger be performed monthly. In addition, we recommend that policies and procedures be established to ensure transactions for Buildings, Improvements Other Than Buildings, and Land are recorded in the general ledger. Policies and procedures should also be established to facilitate accurate accounting for property, plant and equipment.

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AGENCY RESPONSE:

The Oregon University System (OUS) concurs with the comment and Oregon State University (OSU) is taking corrective action.

The need for a physical inventory count of equipment is recognized and the staffing of the OSU Property Management Department has been returned to a full complement so that all necessary activities can now be conducted. The present plan calls for a physical inventory to be performed in fiscal year 1998 and on a regular basis thereafter.

The reconciliation of equipment balances recorded in the Investment in Plant Fund per the general ledger and the Banner fixed asset subsidiary has been completed subsequent to June 30, 1997. An adjustment of some \$63,000 was necessary to reduce the general ledger balance to agree with the subsidiary ledger balance. Now that the OSU Property Management Department is fully staffed, regular periodic reconciliations will be scheduled and reviewed by personnel in OSU Business Affairs.

Additional review procedures will be added in OSU Business Affairs and OSU Facility Services to ensure that all construction detailed in the capitalization report is reflected in Investment in Plant in a timely manner. Also, additional procedures will be implemented to ensure that notices of disposals are routed to OSU Business Affairs and that the affected assets are accounted for accordingly.

Section III — Federal Awards Findings and Questioned Costs

97-7

Student Financial Aid Programs

Questioned Costs: \$14,057

During our testing of the Federal Perkins loan program, we noted that at Eastern Oregon University (EOU) seventeen students received a Federal Perkins loan amount greater than the allowed limit. We also noted two instances at Portland State University (PSU), where an account in default was lacking performance of due diligence procedures during the current year.

According to federal regulations, annual loan maximums at an institution not participating in the Expanded Lending Option (ELO) Program are \$3,000 for a student who has not successfully completed a program of undergraduate education or \$5,000 for a graduate or professional student (34 CFR section 674.12 and the Federal SFA Handbook). Additionally, institutions must exercise due care and diligence in the collection of loans (34 CFR 674.32, 674.34 and Subpart C).

The distribution of loan monies in excess of the annual loan maximum limits the availability of funds for other borrowers. Without performance of due care and diligence procedures, loan collection is delayed and ultimate collection of the delinquent loans becomes questionable. In addition, the institution may experience an increase in the number of defaulted loans, an increase in potentially uncollectible receivables, and possibly become ineligible to participate in Federal financial aid programs due to excessive cohort default rates.

The instances of noncompliance are due to a misunderstanding of the Perkins loan limits for an institution not participating in the ELO Program, and a lack of consistent application of due diligence procedures.

We recommend EOU provide for additional training in the area of student financial aid for personnel responsible for loan distribution, and PSU establish more diligent collection procedures and/or perform established procedures consistently.

AGENCY RESPONSE:

The Oregon University System (OUS) concurs with the Auditors' finding, and Eastern Oregon University (EOU) is taking corrective action. As noted by the Auditors, EOU awarded several Perkins loans during the 1996-97 academic year that exceeded the annual \$3,000 limit. These exceptions were due to confusion over the Extended Lending Option, of which EOU is not a participant.

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EOU is performing three corrective actions to provide internal checks in both the awarding and disbursing cycles:

The issue of the \$3,000 annual limit has been, and will continue to be, discussed with the Financial Aid Office staff. This communication will increase their awareness of the limit and actively prevent this finding from re-occurring.

The SCT Banner financial aid software is being implemented for the 1998-99 academic year. The \$3,000 annual Perkins limit has been programmed into this software to prevent Perkins loans awards from exceeding the limit.

The Business Office, responsible for processing the Perkins promissory notes, will review notes to prevent loans from exceeding the limit.

The Oregon University System (OUS) concurs with the Auditors' findings and Portland State University (PSU) is taking corrective action. The Auditors noted that PSU did not perform proper due diligence procedures on two accounts during the fiscal year.

Both accounts in question have since been sent to the Oregon Department of Revenue for collection. During the year, PSU worked toward collecting past due Perkins loans by submitting them to the Oregon Department of Revenue for collection from Oregon State income tax kicker refunds issued in December 1997. This procedure was accomplished in October 1997.

PSU has expended much recent effort on due diligence and will continue to do so.

97-8
Medical Assistance Program, CFDA 93.778

Expenditures reported to the federal government for the Medical Assistance Program, CFDA 93.778, by the Office of Medical Assistance Programs (OMAP), Department of Human Resources Director's Office, were overstated for the quarter ended September 30, 1996. The overstatement on the quarterly Medicaid expenditures report (HCFA-64) resulted in over claiming federal funds totaling \$1,580,561.

OMAP made the reporting error because it incorrectly included certain expenditures from the accounting system in the spreadsheet used to prepare the HCFA-64 report, and because the spreadsheet contained an incorrect formula duplicating accounting system amounts. The quarter ended September 30, 1996, was the initial quarter of a new process used by OMAP for preparing the HCFA-64 report.

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These problems were corrected before the filing of subsequent quarterly reports, and OMAP returned the excess federal funds by adjusting the March 31, 1997, HCFA-64 report.

We recommend OMAP ensure that department staff are adequately trained to prepare the HCFA-64 report and its supporting schedules. The HCFA-64 report, including supporting schedules and spreadsheet formulas, should be reviewed by a manager prior to its submission to the Health Care Financing Administration.

AGENCY RESPONSE:

We agree with this recommendation. The staff responsible for the preparation of this report have worked extensively with the federal HCFA monitor to develop new reporting procedures to take advantage of the new general ledger system. The staff has developed written procedures acceptable to the federal HCFA monitor, and had been trained on proper report preparation techniques. We have also implemented a reconciliation process between the financial system, spreadsheets, and the HCFA 64. The reconciliation is reviewed by a manager before the report is filed, and the report is approved by the manager.

97-9

Student Financial Aid Programs

At Portland State University (PSU), one refund was not completely processed within 30 days from the date of withdrawal. At Southern Oregon University (SOU), one refund was not completely processed within 30 days from the date of withdrawal, and we noted an error in SOU's repayment calculation which resulted in incorrect repayment calculations for all SOU selections, and possibly all repayments calculated during fall term.

According to federal regulations, refunds are to be made within 30 days of the withdrawal date as determined by the institution (34 CFR 668.22(h)). In addition, an institution's refund policy must be provided, in writing, to prospective students and departures from this policy should be documented (34 CFR 668.22(a)). The student financial aid repayment amount should be calculated in accordance with 34 CFR 668.22.

At PSU and SOU, the Title IV programs and/or the students did not receive the refund in a timely manner. At SOU, incorrect repayment calculations could result in excessive recapture of financial aid disbursed to students.

At PSU, the instance of noncompliance was due to the unusual complexities associated with the student's withdrawal. At SOU, the instances of noncompliance appear to be due to lack of understanding of the regulations by personnel responsible for processing refunds.

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We recommend that the institutions establish/review current refund and repayment procedures to ensure that student financial aid refunds and repayments are processed correctly and in a timely manner. In addition, we recommend that the institutions adhere to established policies and maintain sufficient documentation as to departures therefrom.

AGENCY RESPONSE:

Systemwide Response:

The Oregon University System (OUS) concurs with the Auditors' finding. The following provides specific corrective action plans by campus:

SOU:

The Auditors noted that Southern Oregon University (SOU) had not processed one student refund within 30 days of the date of withdrawal. Also, an error was noted in SOU's repayment calculation which resulted in repayment errors during Fall Term 1996.

SOU management identified the problem with the performance of the employee assigned refund responsibilities and corrected it Winter Term 1997 by transferring the responsibilities to another employee. In addition, SOU staff have recently attended targeted workshops and are reviewing SOU's calculation methodology to make any changes necessary to ensure compliance. This review and changes should be completed by Spring Term 1998.

PSU:

The Auditors noted that Portland State University had not completely processed a refund within 30 days from the official date of a student's withdrawal.

PSU did begin refund procedures within the 30 day time frame. However, due to unusual circumstances involving the withdrawal, the refund process required 36 days. PSU management believes this noncompliance finding was an isolated incident and consequently, does not plan to modify its refund policies and procedures.

97-10

Subrecipient Monitoring

We reviewed the process used by the state for monitoring subrecipients. The Department of Administrative Services (DAS) maintains a log of subrecipients and indicates whether their audit reports have been reviewed by assigned state agencies. We examined the log for fiscal year 1995 non-profit subrecipient audit reports and the log for 1996 local

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government subrecipient audit reports, the last year for each type of subrecipient for which all audit reports should have been reviewed. The non-profit log indicated that the assigned state agencies had completed their review of audit reports for only 185 of the 378 subrecipients (49%). Similarly, the local government log indicated that reviews were completed for only 107 of 222 subrecipients (48%). Although the log indicates that some audit agencies had not submitted summary reports, DAS did not follow up with the state agencies.

As a follow up, we inquired at five state agencies about the status of their audit report reviews. Four agencies assured us they had completed the monitoring procedures, three of which failed to notify DAS and one that said DAS had been notified despite not being posted to the log. The fifth agency had not completed its review of audit reports for two subrecipients.

The Oregon Accounting Manual (OAM) requires state agencies, which are responsible for monitoring subrecipients, to submit a summary report to DAS after reviewing the subrecipient's audit report and completing other monitoring procedures. The OAM does not indicate how DAS should use the summary or the information it contains.

We recommend DAS review the usefulness of its current process of monitoring state agencies to ensure that they complete their reviews of subrecipients audit reports. DAS should remind state agencies that under U.S. Office of Management and Budget Circular A-133 they are required to perform monitoring procedures for all of their subrecipients, including reviewing audit reports. DAS should continue accumulating the total amount of federal assistance provided to subrecipients by federal program, as this information is a necessary part of the schedule of expenditures of federal awards.

AGENCY RESPONSE:

The Department of Administrative Services concurs with the auditor's recommendation. Steps are currently underway to minimize the Department's role in the subrecipient monitoring process. In accordance with Department guidelines and federal compliance requirements, a revision to the Oregon Accounting Manual has been drafted and will be finalized by the end of May 1998. The revised policy and procedure will emphasize the required role of state agencies to perform monitoring procedures for all of their subrecipients, including the review of audit reports. The policy will continue to require state agencies to provide the Department with the total amount of federal assistance passed through to subrecipients by federal program, for purposes of completing the schedule of expenditures of federal awards.

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97-11

Family Support Payments to States — Assistance Payments, CFDA 93.560
Foster Care, CFDA 93.658

As noted in our prior audit for the year ended June 30, 1996, the State Office for Children and Families (SCF) identified federal expenditures totaling \$387,667 for which reimbursement has not been requested from the U.S. Department of Health and Human Resources (HHS). These expenditures, which occurred during the period April 1, 1991, through September 30, 1994, were for the Title IV-A program and the Title IV-E program. These expenditures were initially funded with state general fund dollars; however, once client eligibility was determined, reimbursement should have been requested from the federal government.

These claims were based on the eligibility date that was entered into the Integrated Information Computer System (IIS). However, each time a change was made to a client's eligibility status, a new eligibility date was entered and the previous date removed. Therefore, IIS incorrectly calculated eligible claims based on the most recent date, resulting in eligible claims not being identified by the system. Since our last audit, IIS has been corrected so that the original eligibility date remains in the system; however, SCF has not claimed reimbursement of the \$387,667 from the federal government.

We recommend SCF make a claim to recover these expenditures.

AGENCY RESPONSE:

We agree. The corrected claim was made on the report for the quarter ending March 31, 1998.

97-12

Medical Assistance Program CFDA 93.778
Foster Care — Title IV-E CFDA 93.658

The State Office for Children and Families (SCF) has not reconciled its federal expenditure reports for the Medicaid (93.778) and Foster Care (93.658) to the expenditures recorded on the general ledger.

We compared total Medicaid expenditures on the general ledger to Medicaid expenditures on the Federal Quarterly Statement of Expenditures for the Medical Assistance Program (HCFA 64 Report) for the fiscal year ended June 30, 1997. Expenditures reported on the federal quarterly reports are \$3,379,777 less than reported on the general ledger. For the Foster Care program, general ledger expenditures were \$142,743 less than the federal quarterly reports.

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A new general ledger accounting system and an increase in workload, with the loss of staff in the SCF accounting section, were cited as reasons for not being able to complete the reconciliations.

We recommend SCF reconcile federal expenditures as reported on the general ledger to the subsidiary cost accounting system and the federal quarterly reports.

AGENCY RESPONSE:

We agree. Since the date of the audit we have developed additional experience with the new general ledger system. In addition, we have recently obtained additional resources for Financial Services. With this additional knowledge and expanded capacity we anticipate that we will be able to reconcile the quarterly federal reports to the subsidiary cost accounting system and to the general ledger.

97-13

All Oregon State University Federal Programs

Oregon State University (OSU) had not completed a physical inventory at June 30, 1997. OSU also did not complete a reconciliation of the equipment balances recorded in the Investment in Plant Fund per the general ledger to the Banner fixed asset subsidiary. See finding 97-6 for more information on this finding and the agency response.

97-14

Rehabilitation Services — Vocational Rehabilitation Grants to States, CFDA 84.126

Based on our audit, the Vocational Rehabilitation Division should improve its internal control over the Rehabilitation Services — Vocational Rehabilitation Grants to States (CFDA 84.126) federal program.

The division was not able to reconcile this program's expenditures reported on the schedule of expenditures of federal awards (schedule) to the general ledger for the fiscal year ended June 30, 1997. While the schedule agreed with the detailed accounting subsystem, neither the schedule nor the subsystem agreed with the general ledger. Expenditures on the schedule were \$531,776 larger than those on the general ledger. Additionally, amounts reported on the division's federal cash transaction report (#272) for the fiscal year ended June 30, 1997, did not agree with the accounting records as there was an unexplained difference of \$188,196.

When the U.S. Office of Management and Budget revised Circular A-133, the accompanying discussion stated, "The auditee must be able to reconcile amounts

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presented in the financial statements to related amounts included in the schedule of expenditures of federal awards.” Therefore, the division must ensure that the Director’s Office, who prepares the schedule for the division, is able to reconcile the schedule to the general ledger, which is used to prepare financial statements. During the audit, the Director’s Office staff responsible for preparing the division’s schedule were not aware that a reconciliation between the schedule and the general ledger should be prepared.

We recommend the division reconcile federal expenditures presented in federal reports and the schedule of federal expenditures to the accounting subsystems used in their preparation, and the subsystems should be reconciled to the general ledger accounting records.

AGENCY RESPONSE:

We agree. Due to the implementation of a new general ledger system we were unable to reconcile the Schedule of Federal Financial Assistance to general ledger for the fiscal year ended June 30, 1997. That new system is currently operating and fully reconciled. We anticipate that we will be able to timely reconcile the SFFA to the general ledger for the fiscal year ended June 30, 1998.

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