
Secretary of State

State of Oregon
**FEDERAL COMPLIANCE REPORT
AND
INTERNAL CONTROL REPORT**

For the Year Ending June 30, 1998



Audits Division

Secretary of State

State of Oregon
**FEDERAL COMPLIANCE REPORT
AND
INTERNAL CONTROL REPORT**

For the Year Ending June 30, 1998



Audits Division



Auditing for a Better Oregon

The Honorable John Kitzhaber, M.D.
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 encompasses the year ended June 30, 1998. It is required for the state to continue receiving federal financial assistance.

As required by the Single Audit Act, we issued a report dated December 4, 1998, on the state of Oregon's general-purpose financial statements. That report was included in the state of Oregon's *Comprehensive Annual Financial Report* for the year ended June 30, 1998. This report contains the remaining reports required by the Single Audit Act, for the year ended June 30, 1998:

- *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 that affect the general-purpose financial statements, and on internal control over financial reporting. A schedule of findings and questioned costs that affect the general-purpose financial statements accompanies this report.
- *Report on Compliance and on Internal Control in accordance with OMB Circular 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.
- *Report on the Schedule of Expenditures of Federal Awards.* This is our report on the accuracy of the state of Oregon's schedule of expenditures of federal awards for the year ended June 30, 1998. The schedule of expenditures of federal awards for the year ended June 30, 1998, accompanies this report. The schedule is not a required part of the state of Oregon's general-purpose financial statements, but is required by OMB Circular A-133.

The Single Audit Act requires the state of Oregon to prepare a summary schedule reporting the status of material prior findings. As part of our audit, we are required to review and assess the reasonableness of this summary schedule. 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 year audit findings and recommendations. Responses to current year findings and recommendations indicating planned corrective action were provided by management of the state agencies to which the findings refer, and are included in this report.

OREGON AUDITS DIVISION

John N. Lattimer
Director

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
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.....	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 1998	7
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 1998	33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 1998	39
APPENDIX A: SUMMARIES OF SIGNIFICANT AUDIT REPORTS ISSUED BY THE SECRETARY OF STATE AUDITS DIVISION.....	69



Auditing for a Better Oregon

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**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, 1998, and have issued our report thereon dated December 4, 1998, which was qualified because insufficient audit evidence exists to support the state of Oregon's disclosures with respect to the year 2000 issue. 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.

We did not audit the financial statements of the Oregon Health Sciences University, which statements reflect total assets of \$939 million as of June 30, 1998, and total revenues of \$554 million for the year then ended. Those financial statements were audited by other auditors whose reports on compliance and on internal control have been furnished to us, and our reports, insofar as they relate to the amounts included for the Oregon Health Sciences University, are based on the reports of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether the state of Oregon's general-purpose financial statements are free of material misstatement, 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 98-1 through 98-4.

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 and use of the management of the state of Oregon, the governor of the state of Oregon, the Oregon Legislative Assembly, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

December 4, 1998



Auditing for a Better Oregon

The Honorable John Kitzhaber, M.D.
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, 1998. 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.

The state of Oregon's general-purpose financial statements include the operations of the Oregon Health Sciences University, which received \$97,806,106 in federal awards which is not included in the state of Oregon's schedule of expenditures of federal awards for the year ended June 30, 1998. Our audit, described below, did not include the operations of the Oregon Health Sciences University which engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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, 1998. 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 98-5 through 98-9.

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 98-10 through 98-17.

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, regulations, 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, 1998, and have issued our report thereon dated December 4, 1998. 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 solely for the information and use of the management of the state of Oregon, the governor of the state of Oregon, the Oregon Legislative Assembly, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

February 26, 1999, except for the
Schedule of Expenditure of Federal
Awards, as to which date is
December 4, 1998

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
Department of Agriculture				
10.001	Agricultural Research-Basic and Applied Research	\$730,610	\$-	\$730,610
10.025	Plant and Animal Disease, Pest Control, and Animal Care	250,765	-	250,765
10.054	Emergency Conservation Program	-	12,675	12,675
10.063	Agricultural Conservation Program	2,909	-	2,909
10.064	Forestry Incentives Program	26,495	-	26,495
10.156	Federal-State Marketing Improvement Program	13,055	-	13,055
10.163	Market Protection and Promotion	26,854	-	26,854
10.167	Transportation Services	1,675	-	1,675
10.200	Grants for Agricultural Research, Special Research Grants	385,600	3,590	389,190
10.202	Cooperative Forestry Research	22,576	-	22,576
10.217	Higher Education Challenge Grants	50,302	-	50,302
10.218	Buildings and Facilities Program	4,797	-	4,797
10.220	Higher Education Multicultural Scholars Program	4,226	-	4,226
10.224	Fund for Rural America-Research, Education, and Extension Activities	24,393	-	24,393
10.250	Agricultural and Rural Economic Research	69,603	-	69,603
10.433	Rural Housing Preservation Grants	-	117,975	117,975
10.435	State Mediation Grants	3,567	-	3,567
10.500	Cooperative Extension Service	159,072	-	159,072
10.501	Agricultural Telecommunications Program	934	-	934
10.550	Food Distribution	-	8,588,579	8,588,579
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	34,987,686	8,469,737	43,457,423
10.558	Child and Adult Care Food Program	159,071	26,406,896	26,565,967
10.560	State Administrative Expenses for Child Nutrition	1,825,256	(65,407)	1,759,849
10.564	Nutrition Education and Training Program	2,127	21,614	23,741
10.565	Commodity Supplemental Food Program	-	320,189	320,189
10.567	Food Distribution Program on Indian Reservations	-	131,600	131,600
10.570	Nutrition Program for the Elderly (Commodities)	526,637	1,053,425	1,580,062
10.600	Foreign Market Development Cooperation Program	26,011	-	26,011
10.652	Forestry Research	61,932	1,351	63,283
10.664	Cooperative Forestry Assistance	1,613,132	721,696	2,334,828
10.665	Schools and Roads-Grants to States	37	92,364,405	92,364,442
10.670	National Forest-Dependent Rural Communities	260,566	14,200	274,766

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Amounts		
		Direct Expenditures	Provided to Subrecipients	Total Federal Expenditures
10.769	Rural Development Grants	153,329	-	153,329
10.771	Rural Cooperative Development Grant	150,358	-	150,358
10.901	Resource Conservation and Development	(16,567)	-	(16,567)
10.961	International Agricultural Research Program	241,669	-	241,669
10.965	Rural Housing Preservation Grants	-	70,511	70,511
10.X03	Forest Health Smoke Monitoring	24,794	-	24,794
10.XX2	Agency/Consortium International Development	5,306,232	-	5,306,232
10.XXX	Other Department of Agriculture Programs	8,911	-	8,911
Total Department of Agriculture		\$47,108,614	\$138,233,036	\$185,341,650
Department of Business and Commerce				
11.303	Economic Development-Technical Assistance	\$94,705	\$-	\$94,705
11.307	Special Economic Development and Adjustment Assistance Program- Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	49,218	-	49,218
11.312	Research and Evaluation Program	(18,026)	-	(18,026)
11.405	Anadromous Fish Conservation Act Program	446,046	-	446,046
11.407	Interjurisdictional Fisheries Act of 1986	147,595	531,832	679,427
11.417	Sea Grant Support	669,257	25,384	694,641
11.419	Coastal Zone Management Administration Awards	998,182	178,155	1,176,337
11.420	Coastal Zone Management Estuarine Research Reserves	243,320	-	243,320
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	301,857	-	301,857
11.436	Columbia River Fisheries Development Program	6,964,556	3,413	6,967,969
11.438	Pacific Salmon Treaty Program	579,455	-	579,455
11.441	Regional Fishery Management Councils	4,340,728	14,678	4,355,406
11.454	Unallied Management Projects	(1,881)	-	(1,881)
11.455	Cooperative Science and Education Program	111	-	111
11.611	Manufacturing Extension Partnership	89,365	-	89,365
11.612	Advanced Technology Program	17,000	-	17,000
11.X01	Other Department of Commerce Programs — National Oceanic and Atmospheric Administration	219,256	-	219,256
11.X03	Other Department of Commerce Programs	407	-	407
Total Department of Business and Commerce		\$15,141,151	\$753,462	\$15,894,613

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
Department of Defense				
12.105	Protection of Essential Highways, Highway Bridge Approaches, and Public Works	\$148,678	\$-	\$148,678
12.300	Basic and Applied Scientific Research	100,959	-	100,959
12.400	Military Construction, National Guard	4,937,168	-	4,937,168
12.401	National Guard Military Operation and Maintenance (O&M) Projects	15,502,664	-	15,502,664
12.431	Basic Scientific Research	97,701	-	97,701
12.800	Air Force Defense Research Sciences Program	1,319,443	-	1,319,443
12.X02	Other Department of Defense Programs (Army Corp. of Engineers)	5,850,615	2,393	5,853,008
12.X05	Other Department of Defense Programs	616,585	-	616,585
Total Department of Defense		\$28,573,813	\$2,393	\$28,576,206
Department of Housing and Urban Development				
14.187	Preservation of Affordable Housing	\$-	\$122,702	\$122,702
14.227	Community Development Block Grants/Special Purpose Grants/Technical Assistance Program	73,199	-	73,199
14.228	Community Development Block Grants/State's Program	453,545	14,642,425	15,095,970
14.231	Emergency Shelter Grants Program	11,916	590,989	602,905
14.235	Supportive Housing Program	11,046	1,154,703	1,165,749
14.239	HOME Investment Partnerships Program	7,787,998	1,115,461	8,903,459
14.511	Community Outreach Partnership Center Program	82,665	-	82,665
14.854	Public and Indian Housing Drug Elimination Program	42,901	-	42,901
14.X01	Other Department of Housing and Urban Development Programs	-	1,300,000	1,300,000
Total Department of Housing and Urban Development		\$8,463,270	\$18,926,280	\$27,389,550
Department of the Interior				
15.035	Forestry on Indian Lands	\$41,266	\$-	\$41,266
15.142	Self Determination Grants-Indian Tribal Governments	20,944	-	20,944
15.214	Non-Sale Disposals of Mineral Material	-	76,815	76,815
15.219	Wildlife Habitat Management Technical Assistance	392,609	-	392,609

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
15.221	Cooperative Agreements for Research in Public Lands Management	234,139	-	234,139
15.222	Cooperative Inspection Agreements with States and Tribes	14,632	-	14,632
15.224	Cultural Resource Management	40,927	-	40,927
15.600	Anadromous Fish Management	2,705,604	-	2,705,604
15.608	Fish and Wildlife Management Assistance	791,361	16,500	807,861
15.612	Endangered Species Conservation	216,210	37,254	253,464
15.614	Coastal Wetlands Planning, Protection and Restoration Act	147,632	395,545	543,177
15.616	Clean Vessel Act	51,561	43,979	95,540
15.805	Assistance to State Water Resources Research Institutes	11,519	-	11,519
15.808	US Geological Survey-Research and Data Acquisition	197,872	-	197,872
15.875	Economic, Social, and Political Development of the Territories and the Freely Associated States	184,011	-	184,011
15.904	Historic Preservation Fund Grants-in-Aid	185,943	150,398	336,341
15.916	Outdoor Recreation-Acquisition, Development and Planning	544,931	123,254	668,185
15.976	Migratory Bird Banding and Data Analysis	318	-	318
15.X02	Other Department of the Interior Program (Bureau of Reclamation)	25,885	-	25,885
15.X04	Other Department of the Interior Programs (US Fish & Wildlife Services)	264,325	-	264,325
15.XXX	Other Federal Reclamation Projects	133,110	175,603	308,713
Total Department of the Interior		\$6,204,799	\$1,019,348	\$7,224,147
Department of Justice				
16.004	Law Enforcement Assistance-Narcotics and Dangerous Drugs Training	\$43,028	\$-	\$43,028
16.105	Civil Rights of Institutionalized Persons	14,878	-	14,878
16.307	Combined DNA Index System	172,727	-	172,727
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	369,880	163,105	532,985
16.541	Juvenile Justice and Delinquency Prevention-Special Emphasis	196,122	-	196,122
16.548	Title V-Delinquency Prevention Program	36,449	169,294	205,743
16.549	Part E-State Challenge Activities	41,212	5,289	46,501
16.554	National Criminal History Improvement Program (NCHIP)	465,231	-	465,231
16.575	Crime Victim Assistance	67,486	1,642,098	1,709,584
16.576	Crime Victim Compensation	324,941	-	324,941

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
16.579	Byrne Formula Grant Program	1,670,953	4,354,603	6,025,556
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	266,475	-	266,475
16.582	Crime Victim Assistance/Discretionary Grants	2,595	-	2,595
16.585	Drug Court Discretionary Grant Program	47,316	-	47,316
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	2,190	-	2,190
16.588	Violence Against Women Formula Grants	64,007	1,435,049	1,499,056
16.592	Local Law Enforcement Block Grants Program	1,264	36,122	37,386
16.593	Residential Substance Abuse Treatment for State Prisoners	2,172	5,712	7,884
16.598	State Identification Systems Grant Program	48,715	-	48,715
16.710	Public Safety Partnership and Community Policing Grants	<u>2,213,561</u>	-	<u>2,213,561</u>
Total Department of Justice		<u>\$6,051,202</u>	<u>\$7,811,272</u>	<u>\$13,862,474</u>
Department of Labor				
17.002	Labor Force Statistics	\$1,132,456	\$-	\$1,132,456
17.225	Unemployment Insurance	453,427,643	-	453,427,643
17.235	Senior Community Service Employment Program	175,910	1,107,000	1,282,910
17.245	Trade Adjustment Assistance-Workers	2,578,895	-	2,578,895
17.502	Occupational Safety and Health-Training and Education	4,861,359	-	4,861,359
17.600	Mine Health and Safety Grants	<u>65,188</u>	-	<u>65,188</u>
Total Department of Labor		<u>\$462,241,451</u>	<u>\$1,107,000</u>	<u>\$463,348,451</u>
Department of State				
19.XX1	Other Department of State Programs (Peace Corps)	<u>\$26,666</u>	\$-	<u>\$26,666</u>
Total Department of State		<u>\$26,666</u>	<u>\$-</u>	<u>\$26,666</u>
Department of Transportation				
20.005	Boating Safety Financial Assistance	\$64,047	\$938,387	\$1,002,434
20.106	Airport Improvement Program	1,019,975	-	1,019,975
20.205	Highway Planning and Construction	240,264,893	16,349,030	256,613,923
20.218	Motor Carrier Safety Assistance Program	999,176	211,278	1,210,454
20.303	Grants-in-Aid for Railroad Safety-State Participation	814,849	792,646	1,607,495

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
20.308	Local Rail Freight Assistance	431,804	-	431,804
20.312	High-Speed Ground Transportation-Next- Generation High-Speed Rail Program	1,710	-	1,710
20.505	Federal Transit Technical Studies Grants	306,359	217,141	523,500
20.509	Public Transportation for Nonurbanized Areas	307,260	1,200,085	1,507,345
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	670,185	332,466	1,002,651
20.700	Pipeline Safety	114,173	-	114,173
20.X02	Other Department of Transportation Programs	75,050	-	75,050
Total Department of Transportation		<u>\$245,069,481</u>	<u>\$20,041,033</u>	<u>\$265,110,514</u>
Equal Opportunity Commission				
30.002	Employment Discrimination-State and Local Fair Employment Practices Agency Contracts	\$511,258	\$-	\$511,258
Total Equal Opportunity Commission		<u>\$511,258</u>	<u>\$-</u>	<u>\$511,258</u>
General Services Administration				
39.002	Disposal of Federal Surplus Real Property	\$-	\$444,397	\$444,397
39.003	Donation of Federal Surplus Personal Property	-	1,643,617	1,643,617
Total General Services Administration		<u>\$-</u>	<u>\$2,088,014</u>	<u>\$2,088,014</u>
National Aeronautics and Space Administration				
43.001	Aerospace Education Services Program	\$73,770	\$-	\$73,770
43.002	Technology Transfer	62,809	-	62,809
Total National Aeronautics and Space Administration		<u>\$136,579</u>	<u>\$-</u>	<u>\$136,579</u>
National Foundation on the Arts and the Humanities				
45.024	Promotion of the Arts-Grants to Organizations and Individuals	\$509,420	\$-	\$509,420
45.025	Promotion of the Arts-Partnership Agreements	2,818	-	2,818
45.129	Promotion of the Humanities- Federal/State Partnership	804	-	804
45.130	Promotion of the Humanities-Challenge Grants	32,105	-	32,105
45.160	Promotion of the Humanities-Fellowships and Stipends	(8,181)	-	(8,181)
45.162	Promotion of the Humanities-Education Development and Demonstration	115,336	-	115,336

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
45.163	Promotion of the Humanities-Seminars and Institutes	236,982	-	236,982
45.164	Promotion of the Humanities-Public Programs	315	-	315
45.301	Institute of Museum and Library Services-General Operating Support	25,952	-	25,952
45.310	State Library Program	-	163,554	163,554
	Total National Foundation on the Arts and the Humanities	<u>\$915,551</u>	<u>\$163,554</u>	<u>\$1,079,105</u>
National Science Foundation				
47.041	Engineering Grants	\$77,912	\$1,500	\$79,412
47.049	Mathematical and Physical Sciences	35,949	-	35,949
47.050	Geosciences	27,536	-	27,536
47.073	Science and Technology Centers	37,467	-	37,467
47.075	Social, Behavioral, and Economic Sciences	6,664	-	6,664
47.076	Education and Human Resources	<u>1,250,399</u>	-	<u>1,250,399</u>
	Total National Science Foundation	<u>\$1,435,927</u>	<u>\$1,500</u>	<u>\$1,437,427</u>
Small Business Administration				
59.005	Business Development Assistance to Small Business	\$14,390	\$-	\$14,390
59.007	Management and Technical Assistance for Socially and Economically Disadvantaged Businesses	51,847	-	51,847
59.037	Small Business Development Center	<u>122,869</u>	-	<u>122,869</u>
	Total Small Business Administration	<u>\$189,106</u>	<u>\$-</u>	<u>\$189,106</u>
Department of Veterans Affairs				
64.005	Grants to States for Construction of State Home Facilities	\$1,322,151	\$-	\$1,322,151
64.125	Vocational and Educational Counseling for Service Members and Veterans	<u>28,971</u>	-	<u>28,971</u>
	Total Department of Veterans Affairs	<u>\$1,351,122</u>	<u>\$-</u>	<u>\$1,351,122</u>
Environmental Protection Agency				
66.001	Air Pollution Control Program Support	\$2,195,842	\$162,516	\$2,358,358
66.032	State Indoor Radon Grants	9,939	-	9,939

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
66.419	Water Pollution Control-State and Interstate Program Support	1,353,836	-	1,353,836
66.432	State Public Water System Supervision	1,059,382	190,818	1,250,200
66.433	State Underground Water Source Protection	162,404	-	162,404
66.438	Construction Management Assistance	31,191	-	31,191
66.454	Water Quality Management Planning	199,433	-	199,433
66.456	National Estuary Program	243,513	-	243,513
66.458	Capitalization Grants for State Revolving Funds	496,303	18,161,410	18,657,713
66.460	Nonpoint Source Implementation Grants	1,152,315	-	1,152,315
66.461	Wetlands Protection-Development Grants	68,668	101,197	169,865
66.463	National Pollutant Discharge Elimination System Related State Program Grants	38,139	-	38,139
66.464	Near Coastal Waters	34,629	-	34,629
66.500	Environmental Protection-Consolidated Research	160,605	77,191	237,796
66.600	Environmental Protection Consolidated Grants-Program Support	69,650	-	69,650
66.606	Surveys, Studies, Investigations and Special Purpose Grants	179,477	-	179,477
66.607	Training and Fellowships for the Environmental Protection Agency	8,565	-	8,565
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	1,179,745	16,960	1,196,705
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	197,121	-	197,121
66.707	TSCA Title IV State Lead Grants-Certification of Lead-Based Paint Professionals	220,985	-	220,985
66.708	Pollution Prevention Grants Program	67,269	-	67,269
66.801	Hazardous Waste Management State Program Support	708,747	-	708,747
66.802	Superfund State Site-Specific Cooperative Agreements	1,541,992	-	1,541,992
66.804	State Underground Storage Tanks Program	201,300	-	201,300
66.805	Leaking Underground Storage Tank Trust Fund Program	836,414	-	836,414
66.808	Solid Waste Management Assistance	146,432	-	146,432
66.809	Superfund State Core Program Cooperative Agreements	348,701	-	348,701
66.810	CEPP Technical Assistance Grants Program	12,160	-	12,160
66.951	Environmental Education Grants	128,331	-	128,331
	Total Environmental Protection Agency	\$13,053,088	\$18,710,092	\$31,763,180

Department of Energy

81.041	State Energy Program	\$814,178	\$-	\$814,178
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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
81.042	Weatherization Assistance for Low-Income Persons	173,776	1,601,704	1,775,480
81.049	Office of Energy Research Financial Assistance Program	117,224	-	117,224
81.079	Regional Biomass Energy Programs	45,982	-	45,982
81.086	Conservation Research and Development	6,654	-	6,654
81.087	Renewable Energy Research and Development	85,127	-	85,127
81.092	Environmental Restoration	644,263	-	644,263
81.105	National Industrial Competitiveness Through Energy, Environment, and Economics	286,857	-	286,857
81.X04	Other Department of Energy Programs (BPA-Hatcheries)	1,661,921	-	1,661,921
81.X05	Other Department of Energy Programs (BPA -Planning)	437,660	9,000	446,660
81.X06	Other Department of Energy Programs (BPA -Research)	3,001,384	292,617	3,294,001
81.X07	Other Department of Energy Programs (BPA -Squawfish)	(550,061)	-	(550,061)
81.X08	Other Department of Energy Programs (BPA-Habitat)	2,218,454	16,389	2,234,843
81.X16	BPA - Weatherize Program	65,447	652,623	718,070
81.X17	Other Department of Energy Programs	58,253	-	58,253
81.X19	Other Department of Energy Programs (BPA-Construction)	852,072	-	852,072
81.XX1	Other Department of Energy Programs	20,075	39,717	59,792
81.XXX	Other Department of Energy Programs-BPA	618,458	-	618,458
Total Department of Energy		\$10,557,724	\$2,612,050	\$13,169,774
United States Information Agency				
82.001	Educational Exchange-Graduate Students	\$10,455	\$-	\$10,455
82.002	Educational Exchange-University Lecturers (Professors) and Research Scholars	27,524	-	27,524
Total United States Information Agency		\$37,979	\$-	\$37,979
Federal Emergency Management Agency				
83.008	Community-Based Anti-Arson Program	\$5,748	\$-	\$5,748
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	81,708	5,459	87,167

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
83.105	Community Assistance Program -State Support Services Element (CAP-SSSE)	75,348	-	75,348
83.519	Hazard Mitigation Assistance	407,893	1,379,243	1,787,136
83.527	Emergency Management Institute-Training Assistance	9,491	-	9,491
83.534	Emergency Management-State and Local Assistance	501,588	1,161,908	1,663,496
83.535	Mitigation Assistance	508,731	2,448,168	2,956,899
83.544	Public Assistance Grants	4,573,873	10,421,882	14,995,755
83.546	National Arson Prevention Initiative	12,000	-	12,000
83.547	First Responder Anti-Terrorism Training Assistance	27,300	-	27,300
83.549	Chemical Stockpile Emergency Preparedness Program	975,001	3,855,543	4,830,544
	Total Federal Emergency Management Agency	\$7,178,681	\$19,272,203	\$26,450,884
Department of Education				
84.002	Adult Education-State Grant Program	\$411,504	\$3,504,517	\$3,916,021
84.004	Civil Rights Training and Advisory Services	-	(14,979)	(14,979)
84.010	Title I Grants to Local Educational Agencies	936,821	66,876,548	67,813,369
84.011	Migrant Education-Basic State Grant Program	243,352	17,619,745	17,863,097
84.012	Educationally Deprived Children-State Administration	(6)	-	(6)
84.013	Title I Program for Neglected and Delinquent Children	803,211	468,936	1,272,147
84.015	National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	72,711	-	72,711
84.016	Undergraduate International Studies and Foreign Language Programs	20,435	-	20,435
84.021	International: Overseas-Group Projects Abroad	63,395	-	63,395
84.024	Early Education for Children with Disabilities	269,343	-	269,343
84.025	Services for Children with Deaf-Blindness	72,957	3,987	76,944
84.028	Special Education-Regional Resource Centers	1,328,290	43,065	1,371,355
84.029	Special Education-Personnel Development and Parent Training	2,415,866	12,230	2,428,096
84.031	Higher Education-Institutional Aid	96,078	-	96,078
84.034	Public Library Services	255,989	625,576	881,565
84.035	Interlibrary Cooperation	557	136,971	137,528
84.036	Library Education and Training	5,374	-	5,374
84.039	Library Research and Demonstration	665,967	653,242	1,319,209
84.042	TRIO-Student Support Services	905,765	-	905,765
84.044	TRIO-Talent Search	191,690	-	191,690

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Amounts		
		Direct Expenditures	Provided to Subrecipients	Total Federal Expenditures
84.047	TRIO-Upward Bound	280,520	-	280,520
84.048	Vocational Education-Basic Grants to States	853,327	9,159,072	10,012,399
84.053	Vocational Education-State Advisory Councils	159,211	163,598	322,809
84.055	Higher Education-Cooperative Education	13,396	-	13,396
84.078	Special Education-Postsecondary Education Programs for Persons with Disabilities	240,939	-	240,939
84.086	Special Education-Program for Severely Disabled Children	126,596	-	126,596
84.097	Law School Clinical Experience Program	9,412	-	9,412
84.116	Fund for the Improvement of Postsecondary Education	207,119	-	207,119
84.117	Educational Research and Development	403,576	-	403,576
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	22,738,403	1,970,437	24,708,840
84.128	Rehabilitation Services-Service Projects	194,728	-	194,728
84.129	Rehabilitation Long-Term Training	363,205	-	363,205
84.141	Migrant Education-High School Equivalency Program	631,720	-	631,720
84.144	Migrant Education-Coordination Program	1,049,928	-	1,049,928
84.149	Migrant Education-College Assistance Migrant Program	303,677	30,345	334,022
84.151	Chapter 2-State Block Grants	(5,780)	-	(5,780)
84.153	Business and International Education	45,432	-	45,432
84.154	Public Library Construction and Technology Enhancement	-	38,341	38,341
84.158	Secondary Education and Transitional Services for Youth with Disabilities	489,254	25,179	514,433
84.159	Special Education-Special Studies for Persons with Disabilities	(1)	-	(1)
84.160	Training Interpreters for Individuals Who are Deaf and Individuals Who are Deaf-Blind	181,368	-	181,368
84.161	Rehabilitation Services-Client Assistance Program	4,973	106,550	111,523
84.162	Immigrant Education	3,356	726,469	729,825
84.164	Eisenhower Mathematics and Science Education State Grants	4,197	-	4,197
84.168	Eisenhower Professional Development-Federal Activities	422,506	258	422,764
84.169	Independent Living-State Grants	130,597	192,319	322,916
84.170	Javits Fellowships	7,035	-	7,035
84.177	Rehabilitation Services-Independent Living Services for Older Individuals Who are Blind	160,600	-	160,600
84.181	Special Education-Grants for Infants and Families with Disabilities	213,838	2,309,850	2,523,688

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
84.184	Safe and Drug-Free Schools and Communities-National Programs	(5)	-	(5)
84.186	Safe and Drug-Free Schools and Communities-State Grants	369,295	6,100,332	6,469,627
84.187	Supported Employment Services for Individuals with Severe Disabilities	328,616	-	328,616
84.191	Adult Education-National Leadership Activities	64,924	-	64,924
84.194	Bilingual Education Support Services	61,061	(8,000)	53,061
84.196	Education for Homeless Children and Youth	52,795	187,200	239,995
84.200	Graduate Assistance in Areas of National Need	388,022	-	388,022
84.203	Star Schools	12,877	-	12,877
84.213	Even Start-State Educational Agencies	66,895	1,251,820	1,318,715
84.215	Fund for the Improvement of Education	126,129	15,549	141,678
84.218	State Program Improvement Grants	655,080	25,294	680,374
84.224	State Grants for Assistive Technology	38,287	590,949	629,236
84.235	Special Projects and Demonstrations for Providing Vocational Rehabilitation Services to Individuals with Severe Disabilities	158,835	-	158,835
84.243	Tech-Prep Education	24,568	1,856,608	1,881,176
84.252	Urban Community Services	306,422	70,776	377,198
84.263	Rehabilitation Training-Experimental and Innovative Training	101,981	-	101,981
84.265	Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	57,506	-	57,506
84.276	Goals 2000-State and Local Education Systemic Improvement Grants	388,190	4,516,929	4,905,119
84.278	STW State Implementation Grants-Extension	448,611	3,897,068	4,345,679
84.279	Goals 2000-Assessment Development and Evaluation Grants	383,130	(12,516)	370,614
84.281	Eisenhower Professional Development State Grants	511,396	2,928,292	3,439,688
84.282	Charter Schools	15,919	350,865	366,784
84.293	Foreign Language Assistance	57,475	-	57,475
84.298	Innovative Education Program	660,553	3,010,140	3,670,693
84.304	International Education Exchange	2,649	-	2,649
84.314	Even Start-Statewide Family Literacy Program	131,152	68,504	199,656
84.318	Technology Literacy Challenge Fund Grants	55,588	5,258,672	5,314,260
84.XXX	Other Department of Education Programs-Veterans	219,651	-	219,651
Total Department of Education		\$43,680,033	\$134,760,738	\$178,440,771

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
United States Institute of Peace				
91.001	International Peace and Conflict Management-Research and Education	\$3,427	\$-	\$3,427
	Total United States Institute of Peace	\$3,427	\$-	\$3,427
Department of Health and Human Services				
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$-	\$118,052	\$118,052
93.043	Special Programs for the Aging-Title III, Part F-Disease Prevention and Health Promotion Services	-	430,100	430,100
93.046	Special Programs for the Aging-Title III, Part D-In-Home Services for Frail Older Individuals	-	201,448	201,448
93.048	Special Programs for the Aging-Title IV-Training, Research and Discretionary Projects and Programs	140,650	-	140,650
93.101	Grants for Residential Treatment Programs for Pregnant and Postpartum Women	97,601	1,246,450	1,344,051
93.103	Food and Drug Administration-Research	99,291	-	99,291
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	(104)	-	(104)
93.110	Maternal and Child Health Federal Consolidated Programs	175,714	147,220	322,934
93.113	Biological Response to Environmental Health Hazards	159,784	-	159,784
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	373,417	100,114	473,531
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity	851,585	2,138,048	2,989,633
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services-Technical Assistance Centers for Evaluation	172,455	-	172,455
93.125	Mental Health Planning and Demonstration Projects	196,107	-	196,107
93.127	Emergency Medical Services for Children	39,500	-	39,500
93.130	Primary Care Services-Resource Coordination and Development Primary Care Offices	307,342	838	308,180

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
93.131	Cooperative Agreements for Addiction Treatment Training Centers	461,308	-	461,308
93.136	Injury Prevention and Control Research and State and Community Based Programs	86,673	1,000	87,673
93.150	Projects for Assistance In Transition From Homelessness (PATH)	-	300,000	300,000
93.161	Health Program for Toxic Substances and Disease Registry	70,134	-	70,134
93.169	Demonstration Grants on Model Projects for Pregnant and Postpartum Women and Their Infants (Substance Abuse)	-	(45,837)	(45,837)
93.194	Community Prevention Coalition (Partnership) Demonstration Grant	339,260	60,000	399,260
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	350,734	3,148,598	3,499,332
93.197	Childhood Lead Poisoning Prevention Projects-State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children	36,859	36,084	72,943
93.217	Family Planning-Services	275,068	1,369,625	1,644,693
93.229	Demonstration Cooperative Agreements for Development and Implementation of Criminal Justice Treatment Networks	118,531	-	118,531
93.230	Consolidated Knowledge Development and Application Program	116,895	-	116,895
93.234	Traumatic Brain Injury	51,329	-	51,329
93.235	Abstinence Education	77,374	92,570	169,944
93.262	Occupational Safety and Health Research Grants	205,826	-	205,826
93.268	Immunization Grants	4,452,982	2,856,590	7,309,572
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	1,836,287	161,271	1,997,558
93.306	Comparative Medicine	193,123	-	193,123
93.361	Nursing Research	(3,232)	-	(3,232)
93.398	Cancer Research Manpower	16,706	-	16,706
93.554	Emergency Protection Grants-Substance Abuse	22,990	-	22,990
93.556	Family Preservation and Support Services	67,896	849,841	917,737
93.558	Temporary Assistance for Needy Families	145,128,722	289,985	145,418,707
93.560	Family Support Payments to States-Assistance Payments	(1,576,193)	-	(1,576,193)
93.563	Child Support Enforcement	22,237,718	-	22,237,718
93.566	Refugee and Entrant Assistance-State Administered Programs	5,049,698	-	5,049,698
93.568	Low-Income Home Energy Assistance	2,831,133	13,475,978	16,307,111
93.569	Community Services Block Grant	201,069	3,496,700	3,697,769

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**State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998**

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
93.570	Community Services Block Grant-Discretionary Awards	46,376	-	46,376
93.571	Community Services Block Grant Discretionary Awards-Community Food and Nutrition	-	20,266	20,266
93.574	Child Care for Families At-Risk of Welfare Dependency	1,332,625	-	1,332,625
93.575	Child Care and Development Block Grants	1,868,968	4,128,169	5,997,137
93.576	Refugee and Entrant Assistance-Discretionary Grants	153,339	19,751	173,090
93.580	Family Resource Centers	115,110	-	115,110
93.584	Refugee and Entrant Assistance-Targeted Assistance	577,571	-	577,571
93.585	Empowerment Zones Program	2,348,458	-	2,348,458
93.586	State Court Improvement Program	73,699	-	73,699
93.588	Community Schools Youth Services and Supervision Program	63,383	-	63,383
93.590	Community-Based Family Resource and Support Grants	5,864	122,850	128,714
93.592	Family Violence Prevention and Services/Grants for Battered Women's Shelters-Discretionary Grants	10,112	-	10,112
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	20,796,383	-	20,796,383
93.597	Grants to States for Access and Visitation Programs	594	-	594
93.600	Head Start	2,099,482	42,917	2,142,399
93.608	Child Welfare Research and Demonstration	1,770	-	1,770
93.630	Developmental Disabilities Basic Support and Advocacy Grants	872,470	-	872,470
93.631	Developmental Disabilities Projects of National Significance	197,325	-	197,325
93.632	Developmental Disabilities University Affiliated Programs	264,968	-	264,968
93.643	Children's Justice Grants to States	142,352	-	142,352
93.645	Child Welfare Services-State Grants	3,577,705	-	3,577,705
93.647	Social Services Research and Demonstration	225,107	-	225,107
93.648	Child Welfare Services Training Grants	879,662	-	879,662
93.652	Adoption Opportunities	43,402	-	43,402
93.656	Temporary Child Care and Crisis Nurseries	190,033	169,249	359,282
93.658	Foster Care-Title IV-E	25,663,194	-	25,663,194
93.659	Adoption Assistance	8,321,192	-	8,321,192
93.667	Social Services Block Grant	22,563,341	3,277,013	25,840,354
93.669	Child Abuse and Neglect State Grants	230,341	-	230,341
93.670	Child Abuse and Neglect Discretionary Activities	78,652	-	78,652

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters-Grants to States and Indian Tribes	39,688	520,510	560,198
93.673	Grants to States for Planning and Development of Dependent Care Programs	43,194	-	43,194
93.674	Independent Living	1,026,564	-	1,026,564
93.779	Health Care Financing Research, Demonstrations and Evaluations	121,387	-	121,387
93.821	Cell Biology and Biophysics Research	415,286	-	415,286
93.859	Pharmacology, Physiology, and Biological Chemistry Research	6,725	-	6,725
93.862	Genetics and Developmental Biology Research	172,175	-	172,175
93.866	Aging Research	59,896	-	59,896
93.891	Alcohol Research Center Grants	6,188	-	6,188
93.894	Resource and Manpower Development in the Environmental Health Sciences	259,353	-	259,353
93.903	Model Criminal Justice Drug Abuse Treatment-Incarcerated Population-Non-Incarcerated Populations-Juvenile Justice Populations	(24,484)	-	(24,484)
93.906	Rural Health Medical Education Demonstration Projects	22,339	-	22,339
93.917	HIV Care Formula Grants	1,344,031	826,795	2,170,826
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	(183,226)	1,488,408	1,305,182
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	220,701	21,593	242,294
93.940	HIV Prevention Activities-Health Department Based	(393)	(167,374)	(167,767)
93.942	Research, Treatment and Education Programs on Lyme Disease in the United States	28,327	-	28,327
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	464,441	86,102	550,543
93.949	Community-Based Comprehensive HIV/STD/TB Outreach Services for High-Risk Substance Abusers Demonstration Program	35	-	35
93.951	Demonstration Grants to States with Respect to Alzheimer's Disease	235,777	-	235,777
93.958	Block Grants for Community Mental Health Services	-	4,016,463	4,016,463
93.959	Block Grants for Prevention and Treatment of Substance Abuse	1,511,534	11,723,383	13,234,917
93.969	Grants for Geriatric Education Centers	108,917	-	108,917

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State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
93.977	Preventive Health Services-Sexually Transmitted Diseases Control Grants	899,822	163,508	1,063,330
93.982	Mental Health Disaster Assistance and Emergency Mental Health	573,767	-	573,767
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	250,621	42,707	293,328
93.991	Preventive Health and Health Services Block Grant	701,850	748,832	1,450,682
93.994	Maternal and Child Health Services Block Grant to the States	856,440	5,039,543	5,895,983
Total Department of Health and Human Services		\$287,166,665	\$62,765,360	\$349,932,025
Corporation for National and Community Service				
94.003	State Commissions	\$277,755	\$1,270,572	\$1,548,327
94.004	Learn and Serve America-School and Community Based Programs	30,987	680,919	711,906
94.005	Learn and Serve America-Higher Education	327,240	-	327,240
94.006	Americorps	67,405	-	67,405
94.007	Planning and Program Development Grants	12,920	2,584	15,504
Total Corporation for National and Community Service		\$716,307	\$1,954,075	\$2,670,382
Social Security Administration				
96.001	Social Security-Disability Insurance	\$16,353,918	\$-	\$16,353,918
96.006	Supplemental Security Income	795,704	-	795,704
Total Social Security Administration		\$17,149,622	\$-	\$17,149,622
Food Stamp Cluster				
10.551	Food Stamps	\$198,120,186	\$-	\$198,120,186
10.561	State Administrative Matching Grants for Food Stamp Program	23,734,413	-	23,734,413
Total Food Stamp Cluster		\$221,854,599	\$-	\$221,854,599
Child Nutrition Cluster				
10.553	School Breakfast Program	\$-	\$14,137,254	\$14,137,254
10.555	National School Lunch Program	-	46,559,351	46,559,351

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
10.556	Special Milk Program for Children	10,000	217,702	227,702
10.559	Summer Food Service Program for Children	<u>241,410</u>	<u>1,571,763</u>	<u>1,813,173</u>
Total Child Nutrition Cluster		<u>\$251,410</u>	<u>\$62,486,070</u>	<u>\$62,737,480</u>
Emergency Food Assistance Cluster				
10.568	Emergency Food Assistance Program (Administrative Costs)	\$70,522	\$495,618	\$566,140
10.569	Emergency Food Assistance Program (Food Commodities)	<u>-</u>	<u>1,993,307</u>	<u>1,993,307</u>
Total Emergency Food Assistance Cluster		<u>\$70,522</u>	<u>\$2,488,925</u>	<u>\$2,559,447</u>
Section 8 Cluster				
14.856	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	<u>\$28,514,991</u>	<u>\$-</u>	<u>\$28,514,991</u>
Total Section 8 Cluster		<u>\$28,514,991</u>	<u>\$-</u>	<u>\$28,514,991</u>
Fish & Wildlife Cluster				
15.605	Sport Fish Restoration	\$3,815,899	\$724,757	\$4,540,656
15.611	Wildlife Restoration	<u>4,241,260</u>	<u>15,570</u>	<u>4,256,830</u>
Total Fish & Wildlife Cluster		<u>\$8,057,159</u>	<u>\$740,327</u>	<u>\$8,797,486</u>
Employment Services Cluster				
17.207	Employment Service	\$9,185,627	\$-	\$9,185,627
17.801	Disabled Veterans' Outreach Program (DVOP)	1,157,446	-	1,157,446
17.804	Local Veterans' Employment Representative Program	<u>1,386,192</u>	<u>-</u>	<u>1,386,192</u>
Total Employment Services Cluster		<u>\$11,729,265</u>	<u>\$-</u>	<u>\$11,729,265</u>
JTPA Cluster				
17.250	Job Training Partnership Act	<u>\$1,736,439</u>	<u>\$34,755,530</u>	<u>\$36,491,969</u>
Total JTPA Cluster		<u>\$1,736,439</u>	<u>\$34,755,530</u>	<u>\$36,491,969</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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
Highway Safety Cluster				
20.600	State and Community Highway Safety	\$1,433,245	\$1,125,482	\$2,558,727
	Total Highway Safety Cluster	\$1,433,245	\$1,125,482	\$2,558,727
Special Education Cluster				
84.027	Special Education-Grants to States	\$3,251,861	\$29,848,250	\$33,100,111
84.173	Special Education-Preschool Grants	193,126	2,332,403	2,525,529
	Total Special Education Cluster	\$3,444,987	\$32,180,653	\$35,625,640
Aging Cluster				
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	\$-	\$5,314,244	\$5,314,244
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	-	5,076,474	5,076,474
	Total Aging Cluster	\$-	\$10,390,718	\$10,390,718
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	\$382,174	\$-	\$382,174
93.777	State Survey and Certification of Health Care Providers and Suppliers	2,563,314	-	2,563,314
93.778	Medical Assistance Program	1,079,682,533	40,626,286	1,120,308,819
	Total Medicaid Cluster	\$1,082,628,021	\$40,626,286	\$1,123,254,307
Foster Grandparents/Senior Companion Cluster				
94.011	Foster Grandparent Program	\$171,039	\$-	\$171,039
	Total Foster Grandparents/Senior Companion Cluster	\$171,039	\$-	\$171,039
Student Financial Assistance Programs				
84.007	Federal Supplemental Educational Opportunity Grants	\$4,334,028	\$-	\$4,334,028
84.032	Federal Family Education Loans	73,703,665	-	73,703,665
84.033	Federal Work-Study Program	4,716,721	-	4,716,721
84.037	Federal Perkins Loan Cancellations	568,417	-	568,417
84.038	Federal Perkins Loan Program-Federal Capital Contributions	11,412,199	-	11,412,199

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Amounts		
		Direct Expenditures	Provided to Subrecipients	Total Federal Expenditures
84.063	Federal Pell Grant Program	23,481,689	-	23,481,689
84.268	Federal Direct Loan	165,244,955	-	165,244,955
	Total Student Financial Assistance Programs	\$283,461,674	\$-	\$283,461,674
Research and Development Cluster				
10.001	Agricultural Research-Basic and Applied Research	\$515,543	\$14,545	\$530,088
10.025	Plant and Animal Disease, Pest Control, and Animal Care	32,423	-	32,423
10.156	Federal-State Marketing Improvement Program	54,960	-	54,960
10.200	Grants for Agricultural Research, Special Research Grants	2,659,721	625,703	3,285,424
10.206	Grants for Agricultural Research-Competitive Research Grants	2,202,023	52,513	2,254,536
10.207	Animal Health and Disease Research	95,804	-	95,804
10.210	Food and Agricultural Sciences	69,415	-	69,415
	National Needs Graduate Fellowship Grants			
10.212	Small Business Innovation Research	18,419	-	18,419
10.215	Sustainable Agriculture Research and Education	4,326	-	4,326
10.217	Higher Education Challenge Grants	(1,429)	-	(1,429)
10.219	Biotechnology Risk Assessment Research	67,976	-	67,976
10.224	Fund for Rural America-Research, Education, and Extension Activities	4,892	-	4,892
10.240	Alternative Agricultural Research and Commercialization Program	4,899	-	4,899
10.250	Agricultural and Rural Economic Research	13,578	-	13,578
10.500	Cooperative Extension Service	49,508	42,487	91,995
10.560	State Administrative Expenses for Child Nutrition	17,358	-	17,358
10.652	Forestry Research	4,002,728	21,748	4,024,476
10.664	Cooperative Forestry Assistance	462,132	-	462,132
10.761	Technical Assistance and Training Grants	(15,297)	-	(15,297)
10.901	Resource Conservation and Development	30,753	-	30,753
10.902	Soil and Water Conservation	191,600	-	191,600
10.904	Watershed Protection and Flood Prevention	12,233	-	12,233
10.960	Technical Agricultural Assistance	13,172	-	13,172
10.961	International Agricultural Research Program	30,051	-	30,051
10.962	International Training-Foreign Participant	7,271	-	7,271
10.965	Rural Housing Preservation Grants	-	720,076	720,076
10.XX2	Agency/Consortium International Development	2,437,891	-	2,437,891
11.312	Research and Evaluation Program	33,397	-	33,397
11.417	Sea Grant Support	1,756,790	83,277	1,840,067

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
11.419	Coastal Zone Management Administration Awards	544,111	527,643	1,071,754
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	1,327,076	26,491	1,353,567
11.430	Undersea Research	68,300	-	68,300
11.431	Climate and Atmospheric Research	166,329	-	166,329
11.455	Cooperative Science and Education Program	366,754	-	366,754
11.460	Special Oceanic and Atmospheric Projects	213,609	-	213,609
12.001	Industrial Equipment Loans to Educational Institutions	-	19,478	19,478
12.002	Procurement Technical Assistance for Business Firms	80,363	-	80,363
12.114	Collaborative Research and Development	752,439	-	\$752,439
12.1XX	Other Department of Defense Programs	(20)	-	(20)
12.300	Basic and Applied Scientific Research	5,716,676	153,542	5,870,218
12.401	National Guard Military Operation and Maintenance (O&M) Projects	44,100	-	44,100
12.431	Basic Scientific Research	567,410	61,646	629,056
12.800	Air Force Defense Research Sciences Program	806,220	-	806,220
12.901	Mathematical Sciences Grants Program	27,372	-	27,372
12.910	Research and Technology Development	1,313,777	-	1,313,777
12.XX3	Other Department of Defense Programs (Army & American Academy of Science)	26,228	-	26,228
12.XXX	Other Department of Defense Programs	709,498	-	709,498
14.511	Community Outreach Partnership Center Program	7,544	-	7,544
15.114	Indian Education-Higher Education Grant Program	55,095	-	55,095
15.219	Wildlife Habitat Management Technical Assistance	5,621	-	5,621
15.221	Cooperative Agreements for Research to Public Lands Management	126	-	126
15.224	Cultural Resource Management	91,698	-	91,698
15.225	Recreation Resource Management	1,894,428	-	1,894,428
15.605	Sport Fish Restoration	26,336	-	26,336
15.608	Fish and Wildlife Management Assistance	172,571	-	172,571
15.611	Wildlife Restoration	65,347	-	65,347
15.617	Wildlife Conservation and Appreciation	1,686	-	1,686
15.805	Assistance to State Water Resources Research Institutes	332,285	-	332,285
15.807	Earthquake Hazards Reduction Program	250,142	-	250,142
15.808	US Geological Survey-Research and Data Acquisition	628,085	30,194	658,279
15.915	Technical Preservation Services	12,622	-	12,622

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Amounts		
		Direct Expenditures	Provided to Subrecipients	Total Federal Expenditures
15.916	Outdoor Recreation-Acquisition, Development and Planning	106,040	-	106,040
15.921	Rivers, Trails, and Conservation Assistance	3,039	-	3,039
15.976	Migratory Bird Banding and Data Analysis	255,456	-	255,456
15.977	State Partnerships	956,463	-	956,463
16.542	National Institute for Juvenile Justice and Delinquency Prevention	67,550	-	67,550
16.560	Justice Research, Development, and Evaluation Project Grants	17,631	-	17,631
16.579	Byrne Formula Grant Program	17,244	-	17,244
16.710	Public Safety Partnership and Community Policing Grants	7,906	-	7,906
20.005	Boating Safety Financial Assistance	14,707	-	14,707
20.107	Airway Science	649,673	-	649,673
20.205	Highway Planning and Construction	648,062	75,454	723,516
20.215	Highway Training and Education	115,450	113,315	228,765
20.502	Federal Transit Grants for University Research and Training	59,291	-	59,291
20.515	State Planning and Research	70,318	-	70,318
20.600	State and Community Highway Safety	2,258	-	2,258
20.701	University Transportation Centers Program	59,664	-	59,664
43.001	Aerospace Education Services Program	406,562	262,960	669,522
43.002	Technology Transfer	5,060,754	332,109	5,392,863
43.XXX	Other NASA Programs	216,224	-	216,224
45.160	Promotion of the Humanities-Fellowships and Stipends	30,000	-	30,000
45.161	Promotion of the Humanities-Research	17,148	-	17,148
45.162	Promotion of the Humanities-Education Development and Demonstration	70,725	-	70,725
45.XXX	Other National Foundation on the Arts and the Humanities	22,139	-	22,139
47.041	Engineering Grants	975,443	6,963	982,406
47.049	Mathematical and Physical Sciences	5,386,270	128,410	5,514,680
47.050	Geosciences	13,373,827	306,009	13,679,836
47.070	Computer and Information Science and Engineering	2,196,273	-	2,196,273
47.074	Biological Sciences	5,300,755	-	5,300,755
47.075	Social, Behavioral, and Economic Sciences	416,276	-	416,276
47.076	Education and Human Resources	876,150	-	876,150
47.077	Academic Research Infrastructure	89,048	-	89,048
47.078	Polar Programs	31,875	-	31,875
66.454	Water Quality Management Planning	35,415	-	35,415
66.456	National Estuary Program	110,115	-	110,115
66.460	Nonpoint Source Implementation Grants	(160)	-	(160)
66.461	Wetlands Protection-Development Grants	384	-	384

The accompanying notes are an integral part of this schedule.

**State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998**

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
66.500	Environmental Protection-Consolidated Research	4,154,658	674,849	4,829,507
66.606	Surveys, Studies, Investigations and Special Purpose Grants	41,461	-	41,461
66.951	Environmental Education Grants	76,531	-	76,531
77.001	Radiation Control-Training Assistance and Advisory Counseling	51,358	-	51,358
77.003	Enhance Technology Transfer and Dissemination of Nuclear Energy Process and Safety Information	700,359	-	700,359
81.004	University-Laboratory Cooperative Program	81,630	-	81,630
81.049	Office of Energy Research Financial Assistance Program	3,888,041	1,301,252	5,189,293
81.077	University Research Instrumentation	92,650	-	92,650
81.080	Office of Policy Financial Assistance	27,806	-	27,806
81.086	Conservation Research and Development	146,111	-	146,111
81.087	Renewable Energy Research and Development	447,249	-	447,249
81.092	Environmental Restoration	64,787	-	64,787
81.095	Nuclear Energy, Reactor Systems, Development, and Technology	-	6,913	6,913
81.104	Technology Development for Environmental Management	1,468	-	1,468
81.109	Financial Assistance Program-Science Education and Technical Information	163,777	-	163,777
81.XXX	Other Department of Energy Programs	13,909	-	13,909
82.002	Educational Exchange-University Lecturers (Professors) and Research Scholars	6,868	199	7,067
83.535	Mitigation Assistance	114,650	-	114,650
83.546	National Arson Prevention Initiative	13,224	-	13,224
84.015	National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	3,000	-	3,000
84.017	International Research and Studies	61,178	-	61,178
84.023	Special Education-Innovation and Development	942,651	35,000	977,651
84.024	Early Education for Children with Disabilities	796,599	-	796,599
84.025	Services for Children with Deaf Blindness	1,774,025	-	1,774,025
84.029	Special Education-Personnel Development and Parent Training	242,472	-	242,472
84.086	Special Education-Program for Severely Disabled Children	369,208	-	369,208
84.116	Fund for the Improvement of Postsecondary Education	53,537	937	54,474
84.133	National Institute on Disability and Rehabilitation Research	998,866	213,088	1,211,954

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
84.158	Secondary Education and Transitional Services for Youth With Disabilities	248,222	19,978	268,200
84.168	Eisenhower Professional Development-Federal Activities	5,524	-	5,524
84.180	Technology Applications for Individuals With Disabilities	507,088	-	507,088
84.200	Graduate Assistance In Areas of National Need	146,207	-	146,207
84.235	Special Projects and Demonstrations for Providing Vocational Rehabilitation Services to Individuals with Severe Disabilities	83,966	26,255	110,221
84.237	Special Education-Program for Children With Serious Emotional Disturbance	122,776	219,742	342,518
84.257	National Institute for Literacy	145,068	-	145,068
84.279	Goals 2000-Assessment Development and Evaluation Grants	68,452	-	68,452
84.309	National Institute on Postsecondary Education, Libraries, and Lifelong Learning	3,052	-	3,052
84.XXX	Other Department of Education Programs	476,948	-	476,948
93.103	Food and Drug Administration-Research	40,516	18,331	58,847
93.106	Minority International Research Training Grant in the Biomedical and Behavioral Sciences	17,570	-	17,570
93.110	Maternal and Child Health Federal Consolidated Programs	401,972	-	401,972
93.113	Biological Response to Environmental Health Hazards	1,927,154	87,848	2,015,002
93.121	Oral Diseases and Disorders Research	94,564	-	94,564
93.172	Human Genome Research	215,406	-	215,406
93.173	Research Related to Deafness and Communication Disorders	495,695	-	495,695
93.194	Community Prevention Coalition (Partnership) Demonstration Grant	202,401	-	202,401
93.226	Health Care Systems Cost and Access Research and Development Grants	69,853	-	69,853
93.230	Consolidated Knowledge Development and Application Program	1,081,618	-	1,081,618
93.242	Mental Health Research Grants	888,273	-	888,273
93.262	Occupational Safety and Health Research Grants	96,305	-	96,305
93.273	Alcohol Research Programs	56,752	-	56,752
93.277	Drug Abuse Scientist Development Awards, Research Scientist Development Awards, and Research Scientist Awards	15,526	-	15,526
93.278	Drug Abuse National Research Service Awards for Research Training	25,755	-	25,755
93.279	Drug Abuse Research Programs	(3,694)	-	(3,694)

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, 1998**

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
93.281	Mental Health Research Career/Scientist Development Awards	96,628	-	96,628
93.282	Mental Health National Research Service Awards for Research Training	174,654	-	174,654
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	203	-	203
93.306	Comparative Medicine Program	165,858	-	165,858
93.371	Biomedical Technology	243,943	-	243,943
93.389	Research Infrastructure	95,651	-	95,651
93.390	Academic Research Enhancement Award	6,075	-	6,075
93.393	Cancer Cause and Prevention Research	611,537	147,412	758,949
93.395	Cancer Treatment Research	195,667	-	195,667
93.398	Cancer Research Manpower	23,000	-	23,000
93.561	Job Opportunities and Basic Skills	(11,024)	-	(11,024)
93.600	Head Start	124,502	-	124,502
93.608	Child Welfare Research and Demonstration	128,635	-	128,635
93.645	Child Welfare Services-State Grants	802,522	-	802,522
93.647	Social Services Research and Demonstration	65,637	31,048	96,685
93.658	Foster Care-Title IV-E	426,298	-	426,298
93.669	Child Abuse and Neglect State Grants	25,907	-	25,907
93.670	Child Abuse and Neglect Discretionary Activities	105,501	-	105,501
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters-Grants to States and Indian Tribes	1,698	-	1,698
93.821	Cell Biology and Biophysics Research	2,525,540	-	2,525,540
93.837	Heart and Vascular Diseases Research	1,129,484	-	1,129,484
93.838	Lung Diseases Research	172,291	-	172,291
93.847	Diabetes, Endocrinology and Metabolism Research	22,282	-	22,282
93.848	Digestive Diseases and Nutrition Research	285,133	-	285,133
93.853	Clinical Research Related to Neurological Disorders	334,371	-	334,371
93.854	Biological Basis Research in the Neurosciences	1,586,359	-	1,586,359
93.856	Microbiology and Infectious Diseases Research	724,808	-	724,808
93.859	Pharmacology, Physiology, and Biological Chemistry Research	620,277	-	620,277
93.862	Genetics and Developmental Biology Research	2,146,035	-	2,146,035
93.865	Center for Research for Mothers and Children	1,425,361	-	1,425,361
93.866	Aging Research	255,525	-	255,525
93.867	Vision Research	107,610	-	107,610

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, 1998

Federal CFDA Number	Federal Funding Agencies and Program Titles	Direct Expenditures	Amounts Provided to Subrecipients	Total Federal Expenditures
93.894	Resource and Manpower Development in the Environmental Health Sciences	1,568,495	-	1,568,495
93.934	Fogarty International Research Collaboration Award	21,455	-	21,455
93.989	Senior International Fellowships	30,000	-	30,000
94.005	Learn and Serve America-Higher Education	47,916	-	47,916
	TOTAL RESEARCH AND DEVELOPMENT CLUSTER	<u>\$107,758,816</u>	<u>\$6,387,415</u>	<u>\$114,146,231</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$2,954,075,683</u>	<u>\$621,402,816</u>	<u>\$3,575,478,499</u>

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, 1998**

Note 1. Basis of Presentation

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

Note 2. Reporting Entity

The financial statements of the state of Oregon include all fund types and account groups for all agencies, boards, commissions, authorities, courts, and colleges and universities that are legally part of the state's primary government and its component units. The Oregon Health Sciences University (OHSU) is a legally separate component unit. For the year ended June 30, 1998, OHSU has issued separate financial statements and has obtained a separate single audit as outlined in Subpart E.500 of OMB Circular A-133. The accompanying schedule, therefore, does not include the federal grant activity of OHSU. A copy of these reports can be obtained from OHSU, 2525 SW First Avenue, Suite 201, Portland, Oregon 97201.

Note 3. Programs Involving Non-Cash Assistance

Federal expenditures reported in the schedule include non-cash assistance. The following is a list of the non-cash programs included in the schedule.

<u>CFDA Number</u>	<u>Title</u>	<u>Type of Assistance</u>	<u>Value</u>	<u>How Value Determined</u>
10.550	Food Distribution	Commodities	\$ 8,588,579	Fair market per USDA
10.551	Food Stamps	Food Coupons	79,350,184	Face Value
10.567	Food Distribution/Indian Reservations	Commodities	91,279	Fair market per USDA
10.569	Emergency Food Assistance	Commodities	1,993,307	Fair market per USDA
39.003	Donation of Federal Surplus Personal Property	Surplus Property	1,485,346	Fair market value
84.032	Federal Family Educational Loan Program	Student Loan Guarantees	72,700,481	Loans guaranteed for the year ended June 30, 1998

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998**

84.038	Federal Perkins Loan Program	Student Loan Guarantees	11,144,218	Loans guaranteed for the year ended June 30, 1998
93.268	Childhood Immunization Grant	Vaccine	<u>4,661,204</u>	
		Total	<u>\$180,014,598</u>	Market value when purchased

Note 4. Loans Outstanding

The state of Oregon had the following loan balances outstanding at June 30, 1998, which were not included in the schedule. Loans made during the year are included in the federal expenditures presented in the schedule.

<u>CFDA Number</u>	<u>Title</u>	<u>Balance 6/30/98</u>
11.307	Economic Development & Adjustment Assistance	\$3,723,121
11.436	Columbia River Fisheries Development Program	28,329
12.X02	Other Dept of Defense Program-Army Corp of Engineers	23,179
66.458	Capitalization Grant State Revolving Funds	73,418,258
84.032	Federal Family Educational Loan Program	645,644,040
84.038	Federal Perkins Loan Program-Federal Capital Contributions	<u>69,986,619</u>
	Total	<u>\$792,823,546</u>

Note 5. Unemployment Insurance

Federal expenditures reported for CFDA 17.225, in the schedule, include state unemployment funds. State unemployment tax revenues and the government contributions in lieu of State taxes must be deposited to the Unemployment Trust Fund in the U.S. Treasury, only to be used to pay benefits under the federally approved State unemployment law. The following is a breakdown of the state and federal portions:

State portion	\$37,027,662
Federal portion	<u>416,399,981</u>
Total	<u>\$453,427,643</u>

Note 6. Pass-Through Awards

The state of Oregon received the following amounts as a subrecipient of non-federal entities.

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>
10.001	University of California	\$70,340
10.001	Washington State University	5,992
10.156	National Dairy Promotion & Research Board	161,789

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998**

10.200	Dairy Management Inc	24,189
10.200	Mississippi State University	13,756
10.200	Montana State University	21,250
10.200	North Carolina State University	3,967
10.200	Ohio State University Research Foundation	7,000
10.200	University of California	107,016
10.200	University of Idaho	3,558
10.200	University of Washington	17,826
10.200	Utah State University	156,149
10.200	Washington State University	97,982
10.206	Washington State University	7,251
10.212	NEMATEC	13,299
10.217	University of Idaho	969
10.217	Utah State University	3,325
10.500	Utah State University	3,135
10.501	University of Idaho	475
10.652	Washington State University	17,084
10.XX2	Consortium For International Development	2,151,295
10.XX2	Development Alternative Inc	11,917
10.XX2	Washington State University	4,885
10.XX2	Winrock International	11,701
11.427	Caribbean Marine Research Center	26,630
11.427	University of Alaska	17,546
11.427	University of Washington	22,697
11.464	Mote Marine Laboratory	7,746
11.611	Oregon Advanced Technology Consortium	77,454
12.002	Applied Research Associates	104,835
12.114	Biological Research Division/Geological Survey	227,830
12.300	Institute For Bird Populations	28,017
12.300	Northwest Research Associates Inc	4,988
12.300	OHM Remediation Services Corporation	23,600
12.300	San Diego State University Foundation	66,237
12.300	Texas A & M Research Foundation	41,077
12.300	Woods Hole Oceanographic Institute	55,215
12.431	Academy of Applied Science	19,500
12.910	Georgia Institute of Technology	159,221
12.910	Next Gen Elect Disp	90,000
12.XX3	Academy of Applied Science	5,000
12.XXX	Northrup Grumman Corporation	523,430
14.854	Housing Authority Clackamas County	27,875
14.854	Housing Authority of Portland	21,218
15.608	Montana State University	20,082
15.808	Texas A & M Research Foundation	46,192
15.921	University of Wyoming	2,527
20.205	Nichols Consulting Engineers	264,636
20.502	National Easter Seal Society	109
20.515	Washington State Department of Transportation	5,327
20.701	University of Washington	67,571
43.001	University of Alabama	5,000

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998**

43.002	Hughes Information Tech	49,982
43.002	Jet Propulsion Lab/Cal Institute of Technology	26,931
43.002	Jet Propulsion Lab/Cal Institute of Technology	753,793
43.002	Montana State University	8,748
43.002	Smithsonian Institute	160,463
43.002	Umpqua Research Company	25,800
43.XXX	Space Telescope Science Institution	18,814
45.129	Oregon Council For The Humanities	540
45.150	Oregon Council For The Humanities	150
47.041	Arizona State University	24,302
47.041	Georgia Institute of Technology	1,776
47.041	Umpqua Research Company	56,000
47.041	Washington State University	406,509
47.041	Worcester Polytechnic Institution	13,499
47.050	Columbia University-Lamont/Doherty Research Institute For Seismology	435
47.050	Joint Oceanographic Institutions Inc	13,145
47.050	Joint Oceanographic Institutions Inc	32,798
47.050	Montana State University	25,359
47.050	Ohio State University Research	3,838
47.050	Texas A & M Research Foundation	11,771
47.050	University of California	128,329
47.050	University of Hawaii	38,546
47.050	University of Maine	10,579
47.050	University of Michigan	42,572
47.050	University of Southern California	585
47.050	University of Tennessee	79,628
47.050	Washington State University	126,729
47.050	Woods Hole Oceanographic Institute	184,160
47.070	Ohio State University Research	20,039
47.070	University of California	754
47.070	Washington State University	173
47.073	Texas A & M Research Foundation	24,175
47.074	American Museum of Natural History	62,822
47.074	Big Island Abalone B157Corporation	15,526
47.074	Stanford University	3,509
47.074	University of Charleston	17,778
47.074	University of Denver Colorado	11,133
47.074	University of Georgia	5,347
47.074	University of Puerto Rico	16,817
47.074	Virginia Tech	7,167
47.074	Washington State University	14,191
47.076	Chemeketa Community College	31,943
47.076	Northwest Partnership Environ-Tech	107,946
47.078	Earth & Space Research	18,760
59.005	Lane Community College	(142)
59.037	Lane Community College	106,760
66.454	National Center For Integrated Biomed	(1,631)
66.456	Tillamook County	86,003

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998**

66.500	Oregon Health Science University	14,589
66.500	Stanford University	450,496
66.502	University of California	39,073
66.505	Battelle Pacific Northwest Lab	34,277
66.505	Iowa State University	11,721
66.505	Woods Hole Oceanographic Institute	11,792
77.001	Purdue University	32,352
77.003	Lockheed Idaho Technologies Company	6,072
81.004	Associated Western University Inc	15,900
81.004	Battelle Pacific Northwest Lab	50,000
81.004	Pacific States Marine Fisheries Commission	13,151
81.049	Battelle Pacific Northwest Lab	109,270
81.049	California Institute of Technology	32,455
81.049	Electric Power Research Institute	340,306
81.049	Lawrence Livermore National Lab	275,447
81.049	Lockheed Martin Energy System	50,000
81.049	National Renewable Energy Lab	33,925
81.049	Oakridge Associated Universities	8,750
81.049	Oakridge Associated Universities	49,993
81.049	Sandia National Lab	87,765
81.049	University of California	136,710
81.049	University of Nebraska	55,938
81.049	Washington State University	19,808
81.049	Westinghouse Electric Company	6,682
81.086	Confederated Tribes of Umatilla	79,889
81.087	National Renewable Energy Lab	9,277
81.087	University City Science Center	2,701
81.104	CH2M Hill Inc	40,000
81.XXX	Confederated Tribes of Umatilla	12,148
84.203	Education Service District-Spokane, Washington	10,931
84.309	Institute For Career & Leisure	3,052
84.314	Community Action Team, Inc	13,495
84.928	University of California	14,000
84.994	University of California	1,000
93.106	University of Southern Colorado	17,698
93.229	Lane County	101,843
93.395	Cal Biomarine Technology	6,738
93.395	University of California	217,892
93.570	National Youth Sport Program	46,376
93.588	National Youth Sport Program	57,483
93.837	Bringham and Women's Hospital	14,565
93.854	Stanford University	76,488
93.859	Bend Research Inc	3,000
93.859	University of Maryland	32,683
93.865	University of California	13,955
93.866	Good Samaritan Hospital/Medical Center	19,627
93.866	Oregon Health Science University	46,951
94.005	National Fund For Medical Education	<u>22,367</u>
	Total	<u>\$10,466,984</u>

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Qualified

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 OMB Circular A-133, section 510(a)? yes no

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program
10.665	Schools and Roads—Grants to States
11.436	Columbia River Fisheries Development Program
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance Projects
14.239	HOME Investment Partnerships
16.575	Crime Victim Assistance
16.579	Byrne Formula Grants
17.225	Unemployment Insurance
17.245	Trade Adjustment Assistance
66.458	Capitalization Grants for State Revolving Funds
83.544	Public Assistance Grants
83.549	Chemical Stockpile Emergency Preparedness Program
84.002	Adult Education—State Administered Basic Grant Program
84.011	Migrant Education-Basic State Grant Program
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States
84.181	Special Education-Grants for Infants with Disabilities
84.186	Safe and Drug Free Schools
84.278	STW State Implementation Grants
93.558	Temporary Assistance for Needy Families
93.596	Child Care Mandatory and Matching Fund
93.658	Foster Care—Title IV-E
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant
	Aging Cluster
	Child Nutrition Cluster
	Student Financial Aid Cluster
	Food Stamp Cluster
	Medicaid Cluster
	Research and Development Cluster
	Special Education Cluster

Dollar threshold used to distinguish
between type A and type B programs: \$10,726,436

Auditee qualified as low-risk auditee? yes no

Section II—Financial Statement Findings

98-1

Financial Reporting Controls

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 during the year:

- The 1997 certificate of participation series B debt proceeds were recorded at face value when it should have been netted against the discount on the certificate of participation. This overstated debt proceeds by \$8,520.
- Interest expenditures in the Debt Service Fund paid from the certificate account held by the trustee were not recorded on the accounting system during the year. This understated interest expenditures by \$575,366.
- The certificate of participation payable balance in the General Long-Term Debt Account Group was not reduced by the principal payments made during the year. This overstated that amount by \$2,590,000.

These items were all corrected within the Statewide Financial Reporting system, but they were recorded incorrectly in the Department's accounting records.

We recommend that the accounting unit, in consultation with management and its internal auditors, identify how to properly account for the issuance of debt and debt payments, develop written policies and procedures to meet those objectives, and monitor the implementation of those procedures. The Oregon Accounting Manual documents the procedures and the accounts used to record transactions relating to certificates of participation such as debt proceeds, debt service payments, and interest revenue.

AGENCY'S RESPONSE:

We agree with the recommendations included in your letter dated November 20, 1998, and appreciate the time and learning process provided.

Corrective action planned includes finalizing written policies and procedures for recording and reporting of capital construction activities. Draft policies have been prepared. Plans are for appropriate Fiscal Services' staff to meet with Department of

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

Corrections (DOC) internal auditors beginning this week (December 1, 1998) to finalize these polices and procedures.

98-2

Cash Account Reconciliations

The Oregon Department of Transportation (ODOT) reconciled all of its suspense and receipted cash accounts with the State Treasury from July 1997 through February 1998; however, it did not reconcile any of its receipted cash accounts from March 1998 through June 1998. During this period, ODOT was heavily involved with interfacing its accounting system with the Statewide Financial Management System. According to the department, resources normally available to reconcile cash accounts were used to resolve interface issues.

Reconciling cash is a basic internal control and is required by the Oregon Accounting Manual. When cash reconciliations are not prepared, there is an increased risk that misappropriations of cash or errors in the department's or State Treasury's records could go undetected.

We recommend ODOT reconcile all of its cash accounts monthly with the State Treasury. ODOT should coordinate with the State Treasury to obtain any reports that might be needed to aid in the reconciliations.

AGENCY'S RESPONSE:

Your review disclosed that our receipted cash accounts were not reconciled from March 1998 through June 1998, when Financial Services was heavily involved with interfacing our accounting system to the Statewide Financial Management System (SFMS). You recommend that all cash accounts maintained with the State Treasury be reconciled monthly.

Procedures have been implemented in Financial Services to improve internal controls and insure that all cash accounts are reconciled on a monthly basis. All accounts have been reconciled in a timely fashion since July of 1998.

98-3

Information Systems Risk Assessments

The Office of Information Services (OIS), within the Department of Human Resources Director's Office, has not performed risk assessments of Information Technology (IT) systems. Federal regulations require state agencies to establish and maintain a program for conducting periodic risk assessments to ensure appropriate, cost effective safeguards

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

are incorporated into new and existing systems. At a minimum, the assessments should include an evaluation of physical and data security operating procedures and personnel practices. This finding was reported in the Schedule of Findings and Questioned Costs for the year ended June 30, 1997, as Finding 97-5.

We understand risk assessments have been given a low priority because OIS resources have been dedicated to the remediation and mitigation of the Year 2000 assessment. However, not performing risk assessments of IT systems increases the risk of unauthorized access to confidential data, loss of data, damage to or loss of software and hardware, issuance of unauthorized client benefits, interruption of authorized client benefits, unexpected expenses to restore operations, and general disruption of agency business.

We recommend OIS perform risk assessments of IT systems at least biennially.

AGENCY'S RESPONSE:

We agree that ongoing risk assessments are an important component of systems management. However, the Department of Human Resources Office of Information Systems (OIS) is currently dedicating all available resources to remediation and mitigation of system risk as it relates to Y2K. We are also developing contingency plans related to the systems identified as Y2K non-compliant systems to supplement our operational disaster recovery plans. The Department will resume routine risk assessments for all systems managed by OIS once Y2K risks are mitigated.

98-4

Check Stock Inventory

Internal control over check stock at the Department of Human Resources (DHR) could be improved. We noted that several DHR divisions do not: (1) make proper use of check stock control logs; (2) perform ongoing monitoring and supervisory activities during check ordering, receiving, recording, storing, and transferring of check stock; (3) limit access to check stock; and, (4) have adequate separation of duties between staff who track check stock inventory and staff who perform check writing or reconciliation duties.

The Oregon Accounting Manual requires state agencies to implement internal control techniques that provide a high degree of assurance that internal control objectives are achieved. DHR does not have policies and procedures to ensure adequate internal controls are in place over the ordering, receiving, recording, storing, and transferring of blank check stock. Insufficient internal control techniques may result in unauthorized and inappropriate use, loss, or mismanagement of check stock.

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

We recommend DHR develop and implement written policies and procedures to establish internal control objectives and procedures over the activities for ordering, receiving, recording, storing, and distributing check stock. These policies and procedures should ensure compliance with the 1998 Cash Management Manual developed by the Finance Division of the Oregon State Treasury. To provide reasonable assurance control objectives are being met, the policies and procedures should require divisions to:

- Maintain control logs that adequately record all check numbers received, voided, transferred, and distributed. Further, the control logs should include explanations for missing or voided checks and be kept in secured locations to prevent unauthorized access.
- Perform supervisory reviews to ensure control logs are accurate, access to check stock is limited, and discrepancies in checks ordered and printed are reviewed and confirmed by at least two people.
- Ensure that periodic physical inventories are performed by individuals who have neither access nor responsibility for check stock and check issuance procedures.
- Perform periodic internal audits to ensure adequate control procedures are followed.
- Rotate check stock issuance responsibilities among authorized staff.
- Ensure adequate separation of duties are in place to reduce the opportunity for individuals to be in a position to both perpetrate and conceal errors or irregularities.

AGENCY'S RESPONSE:

We agree with the recommendation. We will prepare written policy and procedures regarding the control of blank check stock. The written policy and procedures will be based on the guidance given by the Oregon State Treasury in their Cash Management Manual. We anticipate writing and implementing the policy and procedures by April 30, 1999.

Section III—Federal Awards Findings and Questioned Costs

98-5

Research and Development Cluster

During our testing of the financial and progress reporting requirements for the research and development program, we noted the following:

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

At Oregon State University, three grants selected had financial reports required under the specific program and/or grant agreements that were not filed within the required timeframe. At the University of Oregon, four grants had financial reports required under the specific program and/or grant agreements that were not filed within the required timeframe. In addition, four grants had progress reports that were either outstanding or could not be located.

Federal financial reports and progress reports are required to be filed periodically as stipulated in each grant or contract agreement and/or by each granting agency. Failure to adhere to contractual stipulations could result in the granting agency becoming apprehensive of awarding federal funds in the future.

These instances of noncompliance appear to be due to constraints on personnel resources which resulted in the required reports not being filed in a timely manner.

We recommend that the institutions implement policies and procedures which will allow for more timely filing of federal financial and progress reports.

AGENCY'S RESPONSE:

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

Oregon State University:

The auditors noted that Oregon State University (OSU) had three grants that had financial reports that were not filed within the required time frame.

OSU agrees with the instances found of late submission of financial reports. OSU has identified these instances as isolated cases with special circumstances as follows:

- *USDA award DA115A started December 1, 1997. OSU agrees that this award was not billed quarterly as specified in the terms of the agreement. Billing practices for USDA have been corrected.*
- *USDI award GS022A started May 6, 1996. All SF270 billings were completed for the specified quarters and submitted in a timely manner except for the final SF270 (#7) dated June 5, 1998, for the period covering October 1, 1997 through May 5, 1998. This billing was awaiting resolution between the department and OSU Business Affairs on questionable costs.*
- *USDOE award G0022B started June 27, 1996. All quarterly SF269s were completed in a timely manner with the exception of the quarter ended March 31, 1998. This instance of noncompliance was an oversight.*

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

Systems are in place to identify reporting requirements; however, OSU will continue to review the many systems in place.

University of Oregon:

The auditors noted that University of Oregon (UO) had four grants that had financial reports that were not filed within the required time frame. In addition, four grants had progress reports that were either outstanding or could not be located.

UO concurs with the observation and recommendation. It is the belief of UO that these instances of noncompliance were due, in part, to the decentralized reporting on some grants, as well as constraints on personnel resources with the Office of Research Services and Administration (ORSA). Of the reports identified, two were filed after the required due date. No further action is required with respect to those reports. The remaining financial and progress reports identified will be completed and submitted to the appropriate agencies.

UO has recently implemented a newer version of the Banner Grants Module. This version permits the retention of report filing due dates for all reporting categories. ORSA plans to begin populating the data fields in this module on or about July 1, 1999.

ORSA is currently organized by administrative unit, with employees assigned to monitor the grant activities of specific administrative units. UO believes that implementation of the newer version of the Banner software will facilitate the report monitoring function and alleviate the existing time constraint of this monitoring activity. This will allow staff to effectively monitor reporting requirements and should prevent instances of noncompliance in the future.

98-6

Student Financial Aid Cluster

During our testing of 81 selected files for the student financial assistance program, we noted that Oregon State University (OSU) had two student files without documentation of exit counseling.

According to federal regulations, all institutions must provide exit counseling or notification or responsibilities for borrowers. The institution shall maintain documentation of its compliance with these requirements in the student borrower's file. Without proper counseling, borrowers might be unaware of their rights and responsibilities which could result in defaulted loans.

These instances of noncompliance are the result of exit loan information not being received in a timely manner from the Loan Origination Center. The Loan Origination Center processes exit conference materials, which are forwarded to OSU and then forwarded by OSU to the student borrower.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

We recommend that OSU establish procedures to verify that all required materials are received from the Loan Origination Center in a timely manner.

AGENCY'S RESPONSE:

The Oregon University System (OUS) concurs with the Auditors' finding and OSU is taking corrective action. As noted by the Auditors, OSU had two files without documentation of exit counseling.

As noted in the Direct Loan School Guide, section 4-7 EXIT COUNSELING SUPPORT, the "Loan Origination Center and the Direct Loan Servicing Center provide support to assist schools with exit counseling. A school may receive borrower-specific exit counseling packages for graduating borrowers by notifying the Loan Origination Center." The Direct Loan Servicing Center also corresponds directly with each student loan borrower. The student borrower is responsible to update the Direct Loan Servicing Center of any changes in address or status.

The Oregon State University (OSU) Financial Aid Office has used this exit counseling support option to conduct our exit counseling program. The Loan Origination Center forwards to us a list of graduating borrowers who are then sent exit counseling materials. With our low default history, it was determined that this would be an effective means to counsel our student population about their rights and responsibilities as student loan borrowers.

The two students noted above are currently in good standing with regard to their repayment status. Both students have taken the proper and required steps to keep their loans in good standing.

Based upon this information, this method of exit counseling is meeting the intent of the exit counseling requirement. We will continue to work with the Direct Loan Servicing Center to ensure that we receive a complete set of exit counseling materials.

98-7

Crime Victims' Assistance Program, CFDA #16.575

Questioned Costs \$38,800

The Oregon Department of Justice (DOJ) provided Crime Victims' Assistance Program funds to a county government subrecipient. The county operated a local crime victims' assistance program through an affiliated not-for-profit foundation.

The subrecipient agreement with the county earmarked funds to pay the local program director's salary. The foundation records showed that the local program director was paid a salary from subrecipient funds; however, she also was paid a salary by the county. At the request of the county, DOJ conducted an inquiry into these payments. DOJ determined that funds paid to the local program director as salary were instead reimbursements for other program expenses paid out-of-pocket from the program director's personal funds. DOJ concluded that neither the local program director nor

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

anyone else associated with the local program inappropriately benefited. DOJ, however, did not review expenditures for compliance with federal requirements. Because these funds were earmarked for salary but were used for other expenses, we question \$38,800 paid to the subrecipient from July 1, 1996, to June 30, 1998. DOJ has stopped payments to the county and has not renewed the grant for the current year. DOJ also has notified the federal grantor agency about the situation.

We recommend that DOJ continue to work with the federal grantor agency and the subrecipient to resolve this situation.

AGENCY'S RESPONSE:

The Department of Justice (Department) concurs with the Secretary of State's findings and recommendation for the Crime Victims Assistance Program set forth in the Oregon Audits Division March 5, 1999, audit review letter for fiscal year ended June 30, 1998.

As stated in the audit summary, the Department initiated an investigation and review of the Deschutes County Victim Assistance Program (Program) to determine if there were criminal as well as financial concerns to be resolved. The criminal investigation found that no individual associated with the Program inappropriately benefited from funds the Department distributed to the Program and that there was no basis for criminal prosecution.

The Department will begin a financial review in early April to determine if \$38,800 the Department distributed to the Program earmarked for salaries was used for other unallowable costs and must be returned to the Department. The Department expects to deliver a letter stating the conclusions of the financial review to Deschutes County by May 19, 1999, with copies to the Secretary of State and U.S. Department of Justice, Office for Victims of Crime.

98-8

Byrne Formula Grants, CFDA 16.579

The Byrne Formula Grant program requires the Oregon State Police (OSP) to monitor its subrecipients. Although monitoring has taken place, OSP can improve its extent and quality.

OMB Circular A-133 and the US Department of Justice require pass-through entities to monitor subrecipients to assure they comply with federal requirements and to determine whether subrecipients are achieving program goals and objectives. While reviewing this program, we noticed the following conditions:

- OSP schedules on-site visits of subrecipients on a rotating basis; however, they have not made visits to all subrecipients within twelve to eighteen months. Additionally,

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

OSP does not adequately document its visits by using checklists to help structure, standardize, and record monitoring activities.

- In several instances subrecipients' progress reports were late, incomplete, or reported performance measures that did not clearly relate to objectives. Additionally, OSP did not always follow-up unusual reimbursement requests. For example, one subrecipient requested reimbursement of an unusual amount of extra compensation (\$4,500 for one month), but OSP did not follow-up on this unusual item prior to payment.

We recommend OSP improve its Byrne Formula Grant subrecipient monitoring to assure compliance with federal requirements. OSP should schedule on-site visits within a reasonable time period, visit new subrecipients their first year, and develop an on-site review checklist. Additionally, OSP should follow up on, prior to payment, any unusual reimbursement requests; late or incomplete progress reports; and performance measures that do not clearly relate to grant objectives.

AGENCY'S RESPONSE:

We partially agree. While it is certainly the goal of OSP staff to complete on-site reviews of funded programs, staffing constraints have hindered the Grants Coordinators of the Criminal Justice Services Division (CJSD) from visiting every grantee on an annual basis and from visiting all but the neediest grantees on a regular basis. However, federal guidelines strongly encourage but do not mandate that on-site reviews be performed on all subgrants. In fact, federal guidelines expressly indicate that on-site monitoring may not be required if the subgrantee's reports are sufficient in documenting that its objectives are being met.

Generally speaking, CJSD does schedule visits with all subrecipients on a rotating basis. Subgrantees that did not receive a site-visit during the audit review period most likely had an on-site visit conducted during a previous year of Byrne grant funding. Again, staffing levels prevented annual site reviews of all funded programs but did not preclude subgrantees from receiving at least one site visit during their 48-month Byrne funding period.

It must also be noted that the need for more intensive monitoring was recognized by CJSD and two additional Grant Coordinator positions were secured in the Division's 1997-99 budget. However, the actual filling of the positions was delayed because the Division experienced recruiting difficulties due to the limited number of qualified applicants available for the positions.

CJSD does acknowledge that better documentation of site-visits is needed. Staff is currently developing a grant monitoring checklist to ensure that future site-visits are followed up with summarized reports to be included in the grant file. The checklist will

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

be completed and will begin to be implemented at the start of the upcoming grant cycle, July 1, 1999.

CJSD maintains a comprehensive Grants Management Information System. Receipt of progress and fiscal reports is promptly entered into the System. Letters indicating that the subgrantee is delinquent in submitting progress reports are sent out two weeks after the due date. CJSD staff also routinely communicates with the subgrantee if their progress report is insufficient in addressing progress toward achieving goals and objectives. OSP cannot find one instance where either CJSD staff or its contracted evaluators have failed to follow-up with a subgrantee on incomplete progress reports. CJSD does conduct follow-up with subgrantees that do not relate reported performance measures to stated goals and objectives.

CJSD holds all subgrantees to one of the highest standards of accountability of any state administering agency. CJSD requires documentation of every expense before reimbursements are made. A survey of fiscal monitoring practices of other state administering agencies would result in the finding that some states do not ask for any documentation prior to making payment, do not ask for documentation for items under a certain threshold amount, or only randomly audit the program's expenses. CJSD fiscal staff routinely denies items when they are truly "unusual." CJSD can identify numerous occasions when expenses were denied; either because the expense fell outside the grant period, was not allowable under the grant guidelines, was not expressly indicated in the grant budget or exceeded budgeted amounts or was not authorized by a supervisor.

The "unusual reimbursement request" in question in the audit is \$4,500 submitted by a local narcotics task force for compensation pay. In this instance, CJSD staff did not follow-up on the expense as the item was allowable, reasonable and had the additional check of being authorized and signed by the program manager who is the district attorney for the county.

98-9

Aging Cluster

The Senior and Disabled Services Division (SDSD) is not monitoring area agencies on aging (AAA) to ensure that the AAAs maintain federal advances in interest-bearing accounts and submit interest earnings to the federal government. The estimated AAA federal advances total \$1.5 million. Federal regulations (45 CFR Parts 74 and 92) require the AAAs to deposit federal advances and reimbursements to replenish the advances in interest-bearing accounts and require the AAAs to quarterly remit interest, through SDSD, to the appropriate federal agency. Federal regulations allow local government AAAs to retain \$100 in interest each year for administrative expenses and allow non-profit AAAs to retain \$250 each year. In addition, federal regulations exempt non-profit AAAs from maintaining interest-bearing accounts if they can

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

demonstrate that the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$250 per year on federal advances.

Noncompliance with federal regulations could result in loss of future funds through penalties, grant reductions, or both. SDSD has notified the AAAs of the federal requirements. SDSD staff questioned the AAAs as to why interest on federal advances was not being submitted. For the most part, AAAs stated that they were not submitting interest because they could not earn interest on their federal advances that exceeded \$250 per year. The largest AAA maintains its federal advances in an interest-bearing account, but does not submit any interest earnings to SDSD. This AAA stated that it is unable to determine how much interest is earned on the SDSD federal advances because it maintains one interest-bearing account for all of its federal programs. Furthermore, this AAA stated that it would require too much staff time to allocate the interest earnings by federal award.

We recommend that SDSD monitor AAAs to ensure that they maintain federal advances in interest-bearing accounts and submit interest earnings to the federal government. For AAAs claiming that they could not reasonably earn \$250 per year, we recommend that SDSD require these AAAs to provide evidence supporting their claims. For AAAs that maintain all federal programs in one interest-bearing account, we recommend that SDSD work with these AAAs to implement procedures that ensure compliance with federal requirements. This may require a reasonable allocation method to be determined, or separate, non-interest bearing accounts be maintained for programs with advances.

AGENCY'S RESPONSE:

We partially agree with the recommendations. The non-profit and local government Area Agencies on Aging (AAA) are required by division policy to report any interest earnings in excess of the established threshold. We believe that the advances to the AAAs do not result in significant interest earning. We believe the AAAs routinely have outstanding expenditure reimbursements due from the state in excess of the amounts advanced. We have procedures in place to regularly compare the advances to the monthly expenditure reporting and adjust the advance amount up or down as appropriate.

To address the recommendations we will establish procedures to contact the AAA if, based on the expenditure analysis, it appears that interest earnings are possible. We will work with the identified AAAs on an individual basis to ensure federal regulations are complied with. This procedure will be implemented immediately.

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

98-10

Subrecipient Monitoring

The state of Oregon is not fully complying with federal and state subrecipient monitoring requirements. We reviewed 6 of the 14 state agencies assigned subrecipient monitoring responsibilities. These six agencies were responsible for reviewing audit reports for the year ended June 30, 1997, for 78 subrecipients. As of January 1999, we found that these six state agencies had completed reviews of only 42 of the 78 subrecipients.

OMB Circular A-133 requires subrecipients that expend \$300,000 or more in a year in federal awards to have a single or program-specific audit done. The Department of Administrative Services, State Controller's Division (SCD) has included policies and procedures in the Oregon Accounting Manual addressing OMB Circular A-133 requirements. SCD collects data on federal financial assistance sub-granted to subrecipients by all state agencies. SCD designates the state agency that distributes the greatest amount of federal financial assistance to a subrecipient as being responsible for reviewing the subrecipient's audit report and ensuring that the subrecipient complied with requirements of OMB Circular A-133.

OMB Circular A-133 requires subrecipients to submit audit reports no later than 13 months after the end of the audit period, and the Oregon Accounting Manual requires state agencies to review the audit reports within 90 days of receipt of the audit report. Thus, state agencies should have performed their monitoring responsibilities on the subrecipient audit reports for the period ended June 30, 1997, by November 1998. Three of the six agencies we reviewed did not comply with federal monitoring requirements.

All three of these state agencies indicated that the lack of continuity in the staff position responsible for performing subrecipient monitoring has made it difficult for effective procedures to be developed or maintained. Further, the agencies that did comply with the federal requirements sometimes did not comply with policies and procedures specified in the Oregon Accounting Manual (04 03 00.PR section .109). They stated that the procedures are confusing and require them to monitor federal programs not under their responsibility.

We recommend that the three state agencies develop an effective process to monitor subrecipients and that SCD assist these agencies in their efforts to comply with OMB Circular A-133.

DEPARTMENT OF ADMINISTRATIVE SERVICES, INTERNAL SUPPORT DIVISION RESPONSE:

The Department of Administrative Services, Internal Support Division concurs with the auditor's finding. We have assigned the responsibility for completing monitoring activities of the 1997 assignments to the Department's Internal Audit (IA) Section.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Letters to subrecipients, where needed, will be sent by the end of February 1999. The review of those reports is expected to be complete by March 31, 1999. IA is also developing and documenting subrecipient monitoring procedures, which will address all OAM requirements. Draft procedures are complete and should be finalized by the end of March 1999. ISD Accounting staff will perform subrecipient monitoring for 1998 and subsequent years.

OREGON STATE POLICE RESPONSE:

We agree. The Oregon State Police (OSP) has received and reviewed the ten assigned subrecipient audit reports and have found each to be in compliance with all applicable laws and regulations. The OSP Fiscal Office has implemented new procedures to ensure timely compliance with federal regulations as outlined in the Oregon Accounting Manual.

**MENTAL HEALTH AND DEVELOPMENTAL DISABILITY SERVICES
DIVISION RESPONSE:**

We agree with the recommendation. As stated in the audit narrative, the Mental Health and Developmental Disability Services Division (MHDDSD) had a problem with staffing continuity. During the last six months of 1998, three of four auditor positions were vacant and two positions remain vacant. The auditors continue to complete reviews as priorities allow.

STATE CONTROLLER'S DIVISION RESPONSE:

We agree with this recommendation. The DAS State Controller's Division (SCD) will be meeting with agency representatives within the next few weeks to identify needed improvements in the guidance currently available. SCD will assist these three agencies, as requested, with their OMB Circular A-133 compliance. In addition, we will review progress at these three agencies periodically throughout the subrecipient review period. These reviews will be completed by June 30, 1999.

98-11

National Guard Military Operations and Maintenance Projects, CFDA 12.401

The Oregon Military Department (Military) uses the Division of Operational Expense Agreement (DOE) to identify funding split percentages when coding certain expenditures for its Real Property Operations and Maintenance (RPOM) Program. The DOE has not been formally reviewed and approved by state or federal representatives since March 1995. Military has prepared several interim versions of the DOE after March 1995, but none have been reviewed or approved. Additionally, coding sheets developed from the DOE as an internal tool for coding expenditures were not always in agreement with the DOE during that time period. Because the coding sheets are based upon the DOE, the two should be in agreement as of a specified time period.

We noted two instances in our original testing of twenty items in which Military incorrectly calculated the funding split amounts, based upon the July 1997 DOE, the

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

interim version RPOM management considered current at the time of our testing. In the first instance, Military overcharged federal funds by \$1,263. The second instance shows an under-utilization of federal funds by \$652. Additional follow up revealed that coding sheets as of a particular date were not in agreement with the interim DOE for that time period.

The DOE is the formal official document upon which the state bases funding splits for certain expenditures; therefore, it should be maintained, updated, reviewed and approved on a regular basis. The state is required to obtain federal approval for funding split percentages. The informal coding sheets should be based upon the information contained in the current approved version of the DOE. RPOM management has recognized the need to formally update, review and approve the DOE annually and has created a procedure for this purpose.

We recommend that Military place a high priority on implementing the new procedures and monitoring to ensure only the current and approved funding splits are used for recording expenditures.

AGENCY'S RESPONSE:

We agree with the finding. We have updated the Division of Operational Expense (DOE) Agreement and are now verifying the square footage used for the calculation. After verification of the formulas used, the agreement will be signed by the appropriate state and federal representatives. This agreement will be updated on an annual basis, effective on the first of October. All coding sheets will be updated annually to ensure agreement with the DOE. The fund split worksheets will be maintained in a historical file. Any interim changes will be annotated on the agreement and will become the basis for the next annual update. The anticipated completion date is May 1, 1999.

98-12

National Guard Military Operations and Maintenance Projects, CFDA 12.401

The Oregon Military Department, Real Property Operations and Maintenance Program (RPOM), does not always include complete bid documentation in payment requests and project files.

We noted one instance in which the transaction amount (\$6,590) exceeded the state bid documentation minimum of \$5,000. For contracts between \$5,000 and \$75,000, agencies are required to obtain three competitive quotes or to document why the quotes were not obtained. We did not find evidence of Military's adherence to state rules for normal contracts or equipment repair and overhaul contracts for this project.

Oregon Administrative Rule 125-310-0012 requires agencies to "obtain three informally, solicited, competitive quotes" for contracts that are between \$5,000 and \$75,000 and to "keep a written record of the source and amount of the quotes received."

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Oregon Administrative Rule 125-310-0035, Equipment Repair and Overhaul contracts, allows agencies to enter into public contracts for equipment and repair or overhaul without competitive bidding in certain conditions. The rule, however, requires agencies to “document in its procurement file the reasons why competitive bids or quotes were deemed to be impractical” regardless of the dollar amount of the contract.

In another instance we noted a lack of bid documentation to support payments on a construction contract. No bid documentation was found in the documents submitted for the specific progress payments tested or the documents submitted for other progress payments relating to the same contract. All payment requests and supporting documentation are submitted to RPOM program management at headquarters for review and final approval. Management should establish procedures to require submission of evidence showing adherence to state purchasing and contracting rules for contract payments. For example, the procedures could require evidence of bid documentation attached to the first progress payment request of a contract.

We recommend that RPOM program management ensure that written documentation is maintained as evidence that state procurement and contracting procedures are followed appropriately.

AGENCY'S RESPONSE:

We agree with the finding. The agency is in the process of documenting procedures for the payment process, which will include the supporting documentation required to be attached. The written supporting documentation will ensure that state procurement and contracting procedures are appropriately followed. We anticipate that the written procedures will be completed by June 1, 1999. The project files do contain all the required documentation.

98-13

National Guard Military Operations and Maintenance Projects, CFDA 12.401

The Oregon Military Department, Air National Guard Facilities Operations and Maintenance Program (ANG-FOMA), did not follow established procedures for requesting advances of federal funds.

The department sent quarterly advance requests for federal funds through the Kingsley Field Training Base. The budget analyst at Kingsley revised the estimated amounts needed without advising the department of the change. We noted differences for each quarter of Federal Fiscal Year 1998.

To ensure proper controls over available federal funding, the Kingsley Field program managers should provide quarterly estimates directly to the department. The department should then prepare a formal memorandum to the Air National Guard to

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

request funds, based upon the estimates. The request should be forwarded to the Air National Guard without being altered by personnel at Kingsley Field ANG-FOMA.

We recommend that the department monitor the process for requesting advances to ensure that requests are not modified subsequent to approval.

AGENCY'S RESPONSE:

We agree with the finding. The Financial Administration Division has already implemented a procedure for requesting quarterly expenditure estimates from the program managers at Kingsley Field. After receiving the estimates from the program managers, the Financial Administration Division prepares a formal memorandum to the Air National Guard requesting the estimated amounts for the quarter. The State Controller is monitoring the advances to ensure that there are no changes made. This has been implemented.

98-14

National Guard Military Operations and Maintenance Projects, CFDA 12.401

The Oregon Military Department, Real Property Operations and Maintenance Program (RPOM) management did not adequately monitor federal expenditures and available federal funds during federal fiscal year 1997. As a result, the program utilized all available RPOM federal funds prior to year-end. Staff charged fiscal year 1997 fourth quarter cost allocation charges to 1998 funding because there were no RPOM 1997 funds available to support these charges in the correct fiscal year.

We noted RPOM charges of \$20,083, including cost allocation charges of \$10,415, included in 1998 account codes rather than 1997 codes. Upon our request, Military corrected the charges, by moving them into special two-year RPOM funding, awarded in 1997 in addition to regular RPOM funds. To prevent over-utilizing available federal funding prior to year-end, management should closely monitor expenditures and funding throughout the year.

We recommend that RPOM management review program expenditures and available funding throughout the year to ensure that expenditures are not occurring at a rate exceeding available funding.

AGENCY'S RESPONSE:

We agree that the findings noted were caused by not monitoring available funds. Staff had not been properly trained to correct these errors when they were recognized. The error was a coding error. We do monitor our federal funds to include a complete analysis on a monthly basis. Errors, once detected are immediately corrected. We are

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

currently complying with these provisions with appropriate training and oversight of the staff involved.

98-15

**Family Support Payment to
States-Assistance Payments, CFDA 93.560
Medicaid Cluster**

Questioned Costs \$11,625

The State Office for Children and Families (SCF) did not comply with state statutes and rules pertaining to questioned costs. In August 1997, SCF's financial audit unit identified questioned costs of \$32,212, paid to a provider in the fiscal year ending June 30, 1996. These payments were funded from the Medicaid and Family Support Payment to States-Assistance Payments federal programs and the State General Fund. Instead of making efforts to collect the \$32,212 from the provider, SCF requested the provider to submit a corrective action plan addressing such costs. SCF also informed the provider that it intended to decrease the provider's monthly contract amount by \$100 for the next three years and intended to pardon the remaining balance of questioned costs at the end of the three year period. Thus, SCF intends to write off all but \$3,600 of the questioned costs. The federal programs have not been reimbursed for their share of the questioned costs, which is estimated to be \$11,625.

Federal guidelines require states to refund the federal share of overpayments at the end of the 60-day period allowed for recovery of an overpayment, whether or not the state has recovered the overpayment from the provider (42CFR 433.312 (a)). In addition, Oregon Revised Statute 293.240 and Oregon Administrative Rule 413-310-310 require that state agencies obtain the Secretary of State's approval prior to writing off debts exceeding \$5,000.

We recommend that SCF comply with state and federal regulations and attempt to seek full recovery of questioned costs prior to writing off such costs.

AGENCY'S RESPONSE:

We agree with this recommendation. We have procedures in place to refund the federal share of any overpayments, whether or not recovered. This transaction was completed outside of established procedures resulting in the federal government not being refunded its share. We have instructed staff to adhere to established procedures in all cases. The federal share of the overpayment will be refunded in the next federal reporting period. Pertinent procedures are already in place.

98-16

Temporary Assistance to Needy Families Block Grants, CFDA 93.558

The Adult and Family Services (AFS) Division, which is within the Department of Human Resources (DHR), needs to improve its federal reporting documentation. We

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

could not reconcile the accounting system to amounts reported as Temporary Assistance to Needy Families (TANF) state and federal expenditures on the ACF-196 federal financial report. The grant phase indicators in the accounting system do not identify the award period to which some expenditures apply. Although we could not reconcile the amounts, we did determine that DHR incurred sufficient expenditures to comply with the TANF maintenance of effort requirements. OMB Circular A-133 requires that reports submitted to federal award agencies be supported by underlying accounting or performance records. Inadequate supporting documentation could result in federal auditors not accepting certain expenditures as valid for the award period and subjecting AFS to monetary penalties.

According to DHR accounting staff, several factors contributed to the current situation. Due to the prohibitive resources that would be needed, DHR is not allowed to change the grant phase in the accounting system to enable them to identify the award period to which expenditures apply. According to staff, the accounting system is designed to accomplish grant accounting through grant phase, which is associated with each program cost account (PCA). By state controller's division policy, DHR is not allowed to change the grant phase related to an established PCA. A new series of PCAs would need to be established each fiscal year to accommodate grant phase accounting. Because many of the records for AFS are interfaced to the accounting system from various information systems, the PCAs need to be changed on the accounting system and in the interface. As a result, the magnitude of PCAs used to support the federal reporting of AFS makes it resource prohibitive to reestablish the entire coding structure on a yearly basis.

During fiscal year 1997, the first year of the TANF program, AFS staff encountered additional difficulties: (1) The division started using the new statewide accounting system; (2) the federal government had not yet developed a form for reporting expenditures; (3) the TANF regulations were not in place until the end of the first grant year; and (4) the TANF funds were unavailable at the start of the grant year requiring staff to continue using the title IV-A (ADC) and title IV-F (Jobs) funds. As a result of these difficulties, AFS did not begin recording TANF expenditures until mid-way through the grant period.

We recommend that AFS management emphasize the need to identify federal and state expenditures by award period to statewide accounting staff. We recommend that AFS also consider developing a manual reconciliation process that would identify the applicable award period for recording expenditures.

AGENCY'S RESPONSE:

We partially agree with the recommendations. We agree with the recommendations to clarify the accounting records. DHR was able to provide a detailed reconciliation of federal and maintenance of effort (MOE) expenditures that matched the accounting records to the federal reports being audited. Over the current fiscal year we will make

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

every effort to clarify the accounting records in order to demonstrate more clearly to the Audits Division the grant period that expenditures relate to. We do not believe a manual reconciliation is necessary as the accounting records tie directly to the federal reports as demonstrated by the detailed reconciliation. We believe clarifying the accounting records will address this concern.

98-17

Federal Family Education Loan Program, CFDA 84.032

The Oregon State Scholarship Commission (OSSC) reports annual financial information to the U.S. Department of Education on the September ED Form 1130, Part E (Sources and Uses of Funds). Financial information is also to be submitted annually on ED Form 704, Grantor Projection Model. The OSSC was to use the annual financial information from the September 1997 ED Form 1130 to complete ED Form 704. However, based on information received from the U.S. Department of Education, we noted the following differences.

<u>Description</u>	<u>ED Form 704</u>	<u>ED Form 1130</u>	<u>Difference</u>
Operating Costs:	\$4,654,000	\$5,601,000	\$947,000
Reserve Fund Beginning	\$17,426,000	\$17,686,000	\$260,000
Reserve Fund Increase/(Decrease)	\$702,000	(\$245,000)	\$947,000
Reserve Fund Ending	\$18,128,000	\$17,441,000	\$687,000

We understand that, due to staff turnover, different individuals prepared the forms, and no reconciliation of differences between the forms was prepared.

We recommend that the OSSC determine the differences between ED Form 1130 and ED Form 704 and, if necessary, submit corrected copies to the U.S. Department of Education. Additionally, management should establish a procedure to ensure the forms agree before they are submitted.

AGENCY'S RESPONSE:

This is our response to the Audit Division's finding related to inconsistencies between the Federal Family Education Loan Program (FFELP) 1130 report for the quarter ending September 30, 1997, and the FFELP 704 report for federal fiscal year 1997. In this finding, auditors identified differences related to reported amounts for operating costs for the FFELP and ending fund balance for the program.

The Oregon State Scholarship Commission (OSSC) and the U.S. Department of Education are aware of this problem, and OSSC is currently working to correct the amounts reported in these forms. Revised amounts for federal fiscal year 1997 will be

Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

reported to the U.S. Department of Education as soon as they are available, and current financial reporting will be modified as appropriate.

The OSSC is committed to providing accurate and timely information, and we plan to continue strengthening our controls related to federal reporting.

Section IV – Schedule of Prior Financial Statement Findings for the Years Ended June 30, 1997 and 1996

This section includes the current status of all audit findings from fiscal year ended June 30, 1997. It also includes the current status of all audit findings from fiscal year ended June 30, 1996, that were uncorrected at June 30, 1997.

Finding: 97-1 General Fund Creation

Recommendations: The Department of Administrative Services (DAS) should continue its efforts towards preparing general fund financial statements directly from the accounting records rather than creating those statements.

Status: The general fund is no longer created from various accounting systems. DAS, Statewide Accounting and Reporting Section (SARS) uses general fund general ledger amounts and prepares a trial balance. They then make any necessary adjustments for financial statement presentation.

Finding: 97-2 General Fund Reconciliation

Recommendation: The Department of Administrative Services (DAS) should 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.

Status: DAS has, to the extent practical, made improvements to the process of reconciling general fund cash. They have disposed of most unidentified items on the reconciliation. They have also differentiated GAAP general fund cash from cash of other fund types for the fiscal year end reconciliation. In addition, the fiscal year end reconciliation process has been modified to separately identify outstanding reconciling items by GAAP general fund or other fund types. However, this process involves estimates in the allocation between GAAP general fund and other fund types

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

since the State Treasury does not identify cash by GAAP fund type as reported in the CAFR.

Additional changes that have improved the reconciliation process result from using general fund cash per the general ledger based on transactions posted during the year. In past years, general fund cash as reported in the financial statements was “created” from various accounting systems. Financial statement cash is now reconciled to the general ledger, which is reconciled to State Treasury.

Finding: 97-3 Year 2000 Assessment

Recommendation: The Department of Administrative Services (DAS) should work with state agencies to assure that they become Year 2000 (Y2K) compliant in a timely manner.

Status: Partial corrective action has been taken. In June 1998, the Statewide Y2K Project Office (SWPO) put a Completion Assurance Process (CAP) in place. The CAP identifies critical systems at risk and provides information necessary for the SWPO to help agencies ensure that statewide mission critical systems are given priority. Although the Department of Administrative Services (DAS) has limited authority, DAS has addressed the importance of engaging contractors in a timely manner. Agency business continuation plans will be examined and recommendations for improvement will be made. Statewide mission critical systems have been identified and are being monitored.

Finding: 97-4 Capital Construction Financial Reporting

Recommendation: The Department of Corrections (DOC) should 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.

Status: The DOC has taken corrective action by drafting current policy and procedures for the financial reporting of capital construction projects.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Finding: 97-5 Information Systems Risk Assessment

Recommendation: The Office of Information Services (OIS) should perform risk assessments of the IT systems for which it is responsible at least biennially.

Status: No action has been taken due to priority placed on Year 2000 (Y2K) issues.

Finding: 97-6 Oregon State University, Fixed Assets

Recommendation: A physical inventory should 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.

Status: During the 1998 year, Oregon State University (OSU) performed a full physical inventory of fixed assets to bring the institution within compliance requirements.

Finding: 96-IC-107.00-01 General Fund Creation

Recommendation: The systems, procedures, and process used to create and compile the general fund should be comprehensively examined and updated to reflect the significant changes that have occurred and are occurring. In addition, we recommend that the Department of Administrative Services (DAS) ensure that reported amounts have been substantiated through reconciliations, and that financial statements are completed in a timely manner.

Status: The general fund is no longer created from various accounting systems. DAS, Statewide Accounting and Reporting Section (SARS) uses general fund general ledger amounts and prepares a trial balance. They then make any necessary adjustments for financial statement presentation.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Finding: 96-IC-410.00-01 Information Systems Risk Assessments

Recommendation: The Office of Information Services should perform risk assessments of the information systems for which it is responsible at least biennially.

Status: No action has been taken due to priority placed on Year 2000 (Y2K) issues.

Finding: 96-IC-461.00-01 Cash Reconciliation

Recommendation: The Adult and Family Services Division (AFSD) should establish controls to ensure that all cash accounts are reconciled monthly and all reconciling items are resolved within a reasonable period of time. Additionally, AFSD should continue its efforts to reconcile suspense account 461-03.

Status: Partial corrective action has been taken. Suspense account 461-03 was reconciled through June 1996 at which time the account was closed. The Department is in the process of clearing the reconciling items. All other cash account reconciliations are current.

Section V – Schedule of Prior Federal Award Findings and Questioned Costs for the Years Ended June 30, 1997 and 1996

This section includes the current status of all audit findings from fiscal year ended June 30, 1997. It also includes the current status of all audit findings from fiscal year ended June 30, 1996, that were uncorrected at June 30, 1997.

Finding: 97-7 Eastern Oregon University, Portland State University, Student Financial Aid Programs, Questioned Costs \$14,057

Recommendation: Eastern Oregon University (EOU) should provide for additional training in the area of student financial aid for personnel responsible for loan distribution, and Portland State University (PSU) should establish more diligent collection procedures and/or perform established procedures consistently.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Status: EOU staff attended additional training for all loan types during the 1998 year. During fiscal year 1998 testing we noted no instances where students received Perkins loan amount in excess of allowable limits. In addition, we discussed the loan limits with EOU personnel, noting their knowledge of applicable limits for student loans. At PSU we discussed, with the Perkins loan managers, the requirements of due diligence. We noted personnel were more adequately trained. We tested due diligence at PSU noting no similar instances in the current year.

Finding: **97-8 CFDA 93.778 Medical Assistance Program**

Recommendation: The Office of Medical Assistance Programs (OMAP) should 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.

Status: OMAP has developed training and review procedures to ensure the HCFA-64 report and supporting schedules are properly prepared and reviewed prior to its submission to HCFA.

Finding: **97-9 Portland State University, Southern Oregon University Student Financial Aid Programs**

Recommendation: The institutions should 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.

Status: At Southern Oregon University (SOU) a new employee was hired to perform the refund/repayment function of student financial aid awards. The employee was provided adequate training. SOU implemented a new form to facilitate calculations. During testing at both Portland State University (PSU) and SOU, we noted no similar instance where refunds were not being processed in a timely manner.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

- Finding:** **97-10 Subrecipient Monitoring**
- Recommendation:** The Department of Administrative Services (DAS) should 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.
- Status:** DAS implemented corrective action regarding subrecipient monitoring by revising the Oregon Accounting Manual Policy 04 03 00.PO. As a result DAS no longer monitors the completion of subrecipient monitoring activities by agencies that administer federal programs. DAS continues to accumulate federal fund amounts provided to subrecipients, and identifies subrecipients that receive sufficient federal funding to trigger the subrecipient monitoring requirements imposed by OMB Circular A-133.
- Finding:** **97-11 CFDA 93.560 Family Support Payment to States — Assistance Payments; CFDA 93.658 Foster Care — Title IV-E**
- Recommendation:** The Department of Human Resources, State Office for Services to Children and Families should make a claim to recover expenditures.
- Status:** The Department of Human Resources, State Office for Services to Children and Families submitted and recovered a claim totaling \$387,666 from the Department of Health and Human Services. The claim was submitted on the Federal Quarterly Report of Expenditures for the quarter ended March 31, 1998.
- Finding:** **97-12 CFDA 93.778 Medical Assistance Program; CFDA 93.658 Foster Care — Title IV-E**
- Recommendation:** The Department of Human Resources, State Office for Services to Children and Families, should reconcile federal expenditures as reported on the general ledger to the subsidiary cost accounting system and the federal quarterly reports.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Status: The Department of Human Resources financial services staff completed testing of the accuracy of transactions through a new general ledger system. The reconciling of federal reports to the general ledger began in February 1999.

Finding: **97-13 Oregon State University Fixed Assets — all programs**

Recommendation: A physical inventory should 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.

Status: During the 1998 fiscal year, Oregon State University (OSU) performed a full physical inventory of fixed assets to bring the institution within compliance requirements.

Finding: **97-14 CFDA 84.126 Rehabilitation Services — Vocational Rehabilitation Grants to States**

Recommendation: The Department of Human Resources, Vocational Rehabilitation Division (VRD) should 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.

Status: VRD has performed monthly reconciliations of federal expenditures maintained on its accounting subsystem to the general ledger.

Finding: **96-IC-107.00-02 Subrecipient Monitoring**

Recommendation: The Department of Administrative Services (DAS) should exercise more active oversight to ensure that its written policies are adhered to and effectively implemented by both audit agencies and subrecipients.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998**

Status: DAS implemented corrective action regarding subrecipient monitoring by revising Oregon Accounting Manual Policy 04 03 00.PO. As a result, DAS no longer monitors the completion of subrecipient monitoring activities by agencies that administer federal programs. DAS continues to accumulate federal fund amounts provided to subrecipients, and identifies subrecipients that receive sufficient federal funding to trigger the subrecipient monitoring requirements imposed by OMB Circular A-133.

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

AUDITOR	Secretary of State Audits Division
REPORT TITLE AND NUMBER	Year 2000 Statewide Project Office Review, 99-05
REPORT DATE	March 16, 1999
PURPOSE	This audit reviews the status of Year 2000-related audit recommendations contained in our fiscal year 1997 statewide internal control report. The review was performed during the period of May through October 13, 1998.
BACKGROUND	The Year 2000 problem has the potential to disrupt business operations throughout government and private industry. Oregon has a decentralized effort to correct this problem. The Department of Administrative Services (DAS) is responsible for coordinating the state's efforts.
RESULTS IN BRIEF	DAS can improve its centralized statewide coordination of the Year 2000 project. We noted the following conditions: <ul style="list-style-type: none">• The state had not yet determined which systems support the state's mission critical functions.• The documented Year 2000 corrective plans at some agencies are less complete than appears prudent.• We could not always verify that the progress reported by the agencies on the Year 2000 Statewide Project Office agreed to supporting documentation.• Agencies had very little business continuation planning documented. DAS issued guidance and established a planning timetable in August 1998.

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

RECENT IMPROVEMENTS	As part of its completion assurance process, the Year 2000 Statewide Project Office hired contractors to provide periodic risk analysis on selected agencies.
RECOMMENDATIONS	The Year 2000 Statewide Project Office needs to develop procedures for monitoring and evaluating the progress of the projects for statewide mission-critical systems. It needs to increase its reviews of agency documentation, project scope, and progress. In addition, it needs to develop procedures for evaluating agency business continuation plans.
AUDITOR	Secretary of State Audits Division
REPORT TITLE & NUMBER	Investigation of Seiders Enterprises, Inc., 98-19
REPORT DATE	May 29, 1998
BACKGROUND	<p>In March 1996, the Oregon State Police contacted the Oregon Audits Division to report possible misappropriation of public funds. An entity being investigated, Seiders Enterprises Inc. (Seiders), received public funds for providing residential treatment services and mental health therapy to special-needs children. The residential services included both group home and foster home settings for children under the oversight of the State Office for Services to Children and Families (SCF), within the Department of Human Resources. The mental health therapy was paid through the “Early and Periodic Screening, Diagnosis and Treatment” (EPSDT), a Medicaid program administered by the Mental Health and Developmental Disability Services Division (MHDDSD) within the same department.</p> <p>We reviewed available financial and client records for the period of January 1995 through March 1996. During the 15-month period, Seiders billed \$759,516 for the EPSDT services, Target Planning</p>

and Consultation Committee (TPCC) contracts, and group home services; Pam Seiders also billed \$43,667 for foster home services. Subsequently, though May 1997, SCF and MHDDSD have paid Seiders another \$55,730 for EPSDT, TPCC, and group home services; and an additional \$750 to Pam Seiders for the foster home services contract.

AUDIT RESULTS

Based on our review of available progress notes for January 1995 through February 1996, as much as \$20,236 of \$86,627 paid to Seiders for EPSDT services appeared ineligible for reimbursement under the Medicaid program. Besides those billed services which were apparently unallowable, MHDDSD identified another \$18,137 of billed services as potentially ineligible for reimbursement.

Progress notes were not found which would support services billed to the EPSDT program for December 1995 through February 1996. In total, the Seiders billed \$50,761 for EPSDT services to all its clients during this 3-month period. In addition, therapy progress notes were not found to support another \$4,055 in EPSDT services billed by and paid to the Seiders in other time periods.

Payments totaling \$1,821 to Seiders for EPSDT services performed by therapists were not supported by the therapists' timesheets or invoices. Therefore, it does not appear that the billed services were actually provided to the MHDDSD clients.

While reviewing Seiders' files, we found evidence that progress notes were being prepared to support EPSDT billings that had been submitted for payment rather than billings being based on records for services provided. As a result, the validity of progress notes that were available as documentation of billed services could be doubtful.

We identified additional miscellaneous EPSDT billing errors totaling \$432 that resulted in

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

overpayments to Seiders. In all the testing performed, we identified one billing error made in the state's favor; it resulted in an underpayment of \$44.

Based on a comparison of billings to travel records, it appears that \$1,730 of billed therapy could not have occurred due to the travel status of either the therapist or the client involved.

For October 1995 through March 1996, Seiders billed SCF \$1,210 for transporting one client to medical appointments in Portland, as provided by a special SCF contract. Our review of financial and client files found that this client was transported to only one medical appointment in Portland. As a result, Seiders billed SCF \$960 for services not performed.

RECOMMENDATIONS

Our report included recommendations to improve SCF's and MHDDSD's monitoring of state program expenditures. Further recommendations directed at SCF are included to reduce the risk of conflicts of interest occurring. In its response, the Department of Human Resources generally agreed with the report.

AUDITOR

Secretary of State Audits Division

REPORT TITLE AND NUMBER

Adult and Family Services—Review of State-subsidized Child Care Payments, 98-35

REPORT DATE

September 17, 1998

PURPOSE

The Adult and Family Services Division (AFS) within the Department of Human Resources is directly responsible for implementing programs to help families become self-supporting. As the number of families receiving welfare payments has declined, there has been a corresponding rise in the number of families receiving child care assistance. There are also many nonwelfare, working poor families who are eligible under Oregon's programs to receive child care

assistance. A U.S. General Accounting Office report of the efforts of seven states, including Oregon, to expand child care found that none of the seven states were able to fund child care for all eligible families. To meet this need so that the working poor will not be penalized will required states to make difficult decisions about the levels and allocations of scarce resources.

The purpose of this audit was to review the system used by AFS to ensure that child care payments are made in appropriate amounts to eligible providers for eligible services. In addition, we reviewed the system used by AFS to collect child care overpayments when they occur.

BACKGROUND

Providing subsidies for child care is an integral part of the welfare to work programs that are available to qualifying families who are unable to pay for needed child care. The 1995-1997 biennial budget for child care subsidies for AFS families accounted for nearly \$112 million in state and federal funds. The largest subsidized child care program is Employment/Education-Related Day Care. Although the Child Care Division (CCD) of the Employment Department is responsible for regulating child care in Oregon, approximately 70 percent of child care providers who care for children of AFS clients were not certified or registered at the time of our review. These exempt providers include family providers who may, for example, either care for no more than three children at a time or care for children from only one family or provide care in the child's home. All providers are paid directly by AFS and must pass a criminal and child protection background check before they are listed to provide care for children of AFS clients.

RESULTS IN BRIEF

We found that AFS should:

- Take additional steps to ensure the collection of overpayments made to inactive child care providers.

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

- Improve its system to ensure payments to child care providers are made in appropriate amounts.
- Take additional steps to ensure payments are made only to eligible child care providers.
- Improve its system to ensure payments are for eligible services on behalf of eligible clients.

RECOMMENDATIONS

We recommend that AFS:

- Complete and implement its action plan for collecting overpayments from inactive providers to comply with state regulations.
- Enhance the payment system so that it indicates each child's appropriate full-time or part-time care needs, disallows payments for 13-year-olds who do not have special needs or disabilities, and disallows payments when the social security numbers of the provider and client are the same.
- Formalize procedures for staff to follow when an error message occurs indicating that the social security numbers for a provider and client are the same.
- Utilize its internal auditor to audit child care payments in high risk areas on a periodic basis.
- Continue its recently established policy of regularly rechecking backgrounds of providers who are actively providing child care.
- Act on and resolve provider and client information provided by case workers and field contacts.
- Comply with federal regulations by requiring case workers to review and retain income documentation for all working clients who receive benefits.
- Collect overpayments and duplicate payments identified by this audit and by subsequent reviews, ensure that overpayments sent to the client in error ultimately went to the provider, and make corrections to federal income reporting forms 1099, when appropriate.

**Summaries of Significant Audit Reports Issued by the Secretary of State Audits
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- Change its current policy, which allows a duplicate payment to occur in the month of a provider change, to prevent paying for the same service twice.

AUDITOR	Secretary of State Audits Division
REPORT TITLE AND NUMBER	Oregon Department of Education—Child and Adult Care Food Program—A Child’s Place
REPORT DATE	November 19, 1998
SUMMARY	<p>This audit reports that A Child’s Place (ACP) failed to comply with several federal requirements of the Child and Adult Care Food Program and did not have adequate controls in place over the administration of the program. Based on the results of our audit, we question \$91,252 (98.6 percent) of reimbursement amounts paid to ACP for the two-year period ended June 30, 1996.</p> <p>In September 1997, the Oregon Department of Education conducted an administrative review of ACP and found it to be seriously deficient in several compliance requirements. Based on the results of its review, the department requested that an audit be conducted by the Oregon Audits Division.</p> <p>This report recommends that the department require ACP to reimburse the questioned costs, ensure ACP provides an acceptable corrective action plan, and monitor ACP’s compliance with program requirements. The department’s response, which is included in this report, agrees with the recommendations. ACP provided a response to the report which outlines improvements now being made to its records and procedures.</p>

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