
Secretary of State

State of Oregon

STATEWIDE SINGLE AUDIT REPORT

For the Year Ended June 30, 2004



Audits Division

Secretary of State

State of Oregon

STATEWIDE SINGLE AUDIT REPORT

For the Year Ended June 30, 2004



Audits Division



Auditing for a Better Oregon

The Honorable Theodore R. Kulongoski
Governor of Oregon

We have conducted a statewide audit in accordance with the Single Audit Act Amendments of 1996, Government Auditing Standards, and U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. This report encompasses the year ended June 30, 2004 and is required for the State to continue receiving federal financial assistance which, as shown in this report, totals approximately \$6.2 billion.

As required by the Single Audit Act, we issued a report dated December 28, 2004, on the State of Oregon's financial statements. That report was included in the State of Oregon's *Comprehensive Annual Financial Report* for the year ended June 30, 2004.

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

- *Report on Internal Control over Financial Reporting and on Compliance and Other Matters.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with laws, regulations, contracts and grant agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.
- *Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.* This component contains our report on the State of Oregon's compliance with the requirements applicable to each of its major federal programs described in OMB Circular A-133 and internal controls over compliance. Part of the schedule of findings and questioned costs relates to this report. This component also contains our report on the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2004.
- *Schedule of Expenditures of Federal Awards.* This schedule is not a required part of the State of Oregon's financial statements, but is required by OMB Circular A-133. The schedule shows State expenditures of federal awards, for the fiscal year ending June 30, 2004, excluding Oregon Health and Science University. The notes, which accompany the schedule, are considered an integral part of the schedule. They provide disclosures regarding the reporting entity, the significant accounting policies used in preparing the schedule, the value of federal awards expended in the form of non-cash assistance, the value of loans outstanding at year end, and the value of pass-through awards received by the State from non-federal entities.

- *Schedule of Findings and Questioned Costs.* This schedule lists 15 current audit findings regarding compliance and internal control related to financial reporting. It also lists 18 current audit findings regarding compliance with the requirements of major federal programs and related internal controls. Further, it lists the status of findings regarding compliance and internal control related to financial reporting and compliance with the requirements of major federal programs and related internal controls which were included in our report for the fiscal year ended June 30, 2003. In addition, it lists the status of prior year audit findings for the fiscal year ended June 30, 2002, which were not previously corrected.

OMB Circular A-133 requires management to provide a plan of corrective action on the findings and recommendations for the fiscal year ended June 30, 2004. Management's responses and planned corrective actions are included in this schedule.

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read 'Cathy Pollino', written in a cursive style.

Cathy Pollino
State Auditor

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance 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, 2004.....	7
Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2004.....	39
Schedule of Findings and Questioned Costs For the Year Ended June 30, 2004 Summary of Auditor's Results.....	55
Financial Statement Findings.....	57
Federal Awards Findings and Questioned Costs.....	81
Schedule of Prior Financial Statement Findings For the Years Ended June 30, 2003 and 2002	100
Schedule of Prior Federal Awards Findings and Questioned Costs For the Years Ended June 30, 2003 and 2002	112



Auditing for a Better Oregon

The Honorable Theodore R. Kulongoski
Governor of Oregon

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2004, which collectively comprise the State of Oregon's basic financial statements, and have issued our report thereon dated December 28, 2004. We did not audit the financial statements of the discretely presented component units or the University System. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units and the University System, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 04-1 through 04-15.

A material weakness is a reportable 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 caused by error or fraud 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, of the reportable conditions described above, we consider items 04-1 through 04-3 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we or other auditors reported to management of the State of Oregon in separate letters.

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 and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read "Bill Bradbury". The signature is written in a cursive, flowing style.

Bill Bradbury
Secretary of State

December 28, 2004



Auditing for a Better Oregon

The Honorable Theodore R. Kulongoski
Governor of Oregon

**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, 2004. 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's management. Our responsibility is to express an opinion on the State of Oregon's compliance based on our audit. We did not audit the State of Oregon's compliance with the following major federal programs:

39.011	Election Reform Payments
84.032	Federal Family Education Loans
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.283	Centers for Disease Control and Prevention- Investigations and Technical Assistance
93.658	Foster Care – Title IV-E
N/A	Student Financial Assistance Cluster
N/A	Child Care and Development Fund Cluster
N/A	Special Education Cluster

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

The State of Oregon's basic financial statements include the operations of the Oregon Health and Science University, which received approximately \$245 million 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, 2004. Our audit, described below, did not include the operations of the Oregon Health and Science University because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained

in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the State of Oregon's compliance with those requirements.

As described in items 04-16 and 04-17 in the accompanying schedule of findings and questioned costs, the State of Oregon did not comply with requirements regarding Allowable Costs/Cost Principles and Subrecipient Monitoring that are applicable to its Centers for Disease Control and Prevention-Investigations and Technical Assistance program. Compliance with such requirements is necessary, in our opinion, based on the work of other auditors, for the State of Oregon to comply with requirements applicable to that program.

In our opinion, based on our audit and the work of the other auditors, except for the noncompliance described in the preceding paragraph, 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, 2004. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-22 through 04-31.

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 the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-16 through 04-21, 04-32 and 04-33.

A material weakness is a reportable 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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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, of the reportable conditions described above, we consider items 04-16 and 04-17 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 28, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Oregon's basic financial statements. We did not audit the financial statements of the discretely presented component units or the University System. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units and the University System, is based on the reports of the other auditors. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the work of the other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the schedule of expenditures of federal awards of the Oregon Health and Science University. That schedule is audited by other auditors who will issue a separate report on compliance and internal control and on compliance with OMB Circular A-133 over major federal programs. To obtain a copy of this report, please refer to note disclosure 2 of the schedule of expenditure of federal awards.

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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION



Bill Bradbury
Secretary of State

February 4, 2005, except for the
Schedule of Expenditures of
Federal Awards, as to which the
date is December 28, 2004

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of Agriculture							
10.001	Agricultural Research, Basic and Applied Research		\$1,255,991	\$34,299	\$1,290,290	\$1,290,290	\$—
10.025	Plant and Animal Disease, Pest Control, and Animal Care		1,667,200	—	1,667,200	1,667,200	—
10.064	Forestry Incentives Program		179,566	44,350	223,916	223,916	—
10.156	Federal-State Marketing Improvement Program		31,436	—	31,436	31,436	—
10.163	Market Protection and Promotion		110,080	—	110,080	110,080	—
10.200	Grants for Agricultural Research, Special Research Grants		96,253	3,450	99,703	91,804	7,899
10.217	Higher Education Challenge Grants		1,187	—	1,187	5,497	(4,310)
10.218	Buildings and Facilities Program		—	460,050	460,050	460,050	—
10.303	Integrated Programs		129,532	—	129,532	24,438	105,094
10.353	National Rural Development Partnership		41,248	—	41,248	41,248	—
10.446	Rural Community Development Initiative		41,213	—	41,213	41,213	—
10.500	Cooperative Extension Service		2,322,430	—	2,322,430	2,322,430	—
10.550	Food Donation		1,633	7,278,336	7,279,969	7,279,969	—
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		49,563,935	11,283,107	60,847,042	60,847,042	—
10.558	Child and Adult Care Food Program		546,006	20,981,490	21,527,496	21,427,204	100,292
10.560	State Administrative Expenses for Child Nutrition		1,294,867	—	1,294,867	1,294,867	—
10.565	Commodity Supplemental Food Program		—	622,982	622,982	622,982	—
10.567	Food Distribution Program on Indian Reservations		19,201	99,043	118,244	118,244	—
10.570	Nutrition Services Incentive		(10,364)	—	(10,364)	(10,364)	—
10.574	Team Nutrition Grants		138,620	—	138,620	138,620	—
10.576	Senior Farmers Market Nutrition Program		733,199	—	733,199	733,199	—
10.600	Foreign Market Development Cooperator Program		310,872	292,878	603,750	603,750	—
10.652	Forestry Research		63,009	—	63,009	52,482	10,527
10.664	Cooperative Forestry Assistance		6,613,527	448,530	7,062,057	7,062,057	—
10.670	National Forest, Dependent Rural Communities		107,287	—	107,287	107,287	—
10.672	Rural Development, Forestry, and Communities		5,668	—	5,668	5,668	—
10.904	Watershed Protection and Flood Prevention		50,239	—	50,239	50,239	—
10.912	Environmental Quality Incentives Program		23,108	—	23,108	23,108	—
10.960	Technical Agricultural Assistance		98,675	—	98,675	—	98,675
10.961	Scientific Cooperation and Research		229,223	8,640	237,863	190,468	47,395

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Total Department of Agriculture			\$65,664,841	\$41,557,155	\$107,221,996	\$106,856,424	\$365,572
Department of Business and Commerce							
11.303	Economic Development_Technical Assistance		\$84,510	\$—	\$84,510	\$84,510	\$—
11.405	Anadromous Fish Conservation Act Program		437,349	—	437,349	437,349	—
11.407	Interjurisdictional Fisheries Act of 1986		117,140	—	117,140	117,140	—
11.417	Sea Grant Support		333,220	—	333,220	302,901	30,319
11.419	Coastal Zone Management Administration Awards		1,219,541	736,703	1,956,244	1,897,472	58,772
11.420	Coastal Zone Management Estuarine Research Reserves		450,000	—	450,000	450,000	—
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		433,468	—	433,468	433,468	—
11.436	Columbia River Fisheries Development Program		5,682,926	7,535	5,690,461	5,690,461	—
11.437	Pacific Fisheries Data Program		409,649	—	409,649	409,649	—
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		7,904,666	4,747,038	12,651,704	12,629,895	21,809
11.439	Marine Mammal Data Program		36,101	—	36,101	36,101	—
11.441	Regional Fishery Management Councils		424,549	—	424,549	424,549	—
11.452	Unallied Industry Projects		624,295	—	624,295	624,295	—
11.454	Unallied Management Projects		37,976	—	37,976	37,976	—
11.463	Habitat Conservation		20,849	—	20,849	20,849	—
11.473	Coastal Services Center		89,273	—	89,273	89,273	—
11.477	Fisheries Disaster Relief		38,005	—	38,005	38,005	—
11.609	Measurement and Engineering Research and Standards		3,378	—	3,378	3,378	—
11.XXX	Other Department of Business and Commerce Programs						
		40-AB-NF-110785	1,946	—	1,946	1,946	—
		AB133F-03-SE-1261	39,725	—	39,725	39,725	—
		NA17OC2645	947	—	947	947	—
		NA17FP2458	(13,670)	—	(13,670)	(13,670)	—
		NA03NMF4380287	126,476	—	126,476	126,476	—
		FP5000/8L2B1P00	58,906	—	58,906	58,906	—
		AB133F-02-SE-1258	23,964	—	23,964	23,964	—
		AB133F-02-SE-1417	21,615	—	21,615	21,615	—
		40-AB-NF-112134	2,500	—	2,500	2,500	—
		AB133F-02-SE-1170	4,905	—	4,905	4,905	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		0FP5IPA97 FP5000/8L2B1P00	43,636	—	43,636	43,636	—
11.XXX	Total Other Department of Business and Commerce Programs		310,950	—	310,950	310,950	—
Total Department of Business and Commerce			\$18,657,845	\$5,491,276	\$24,149,121	\$24,038,221	\$110,900
Department of Defense							
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		\$99,023	\$—	\$99,023	\$99,023	\$—
12.114	Collaborative Research and Development		2,499	—	2,499	2,499	—
12.300	Basic and Applied Scientific Research		10,000	—	10,000	10,000	—
12.400	Military Construction, National Guard		4,013,066	—	4,013,066	4,013,066	—
12.401	National Guard Military Operations and Maintenance (O&M) Projects		20,253,101	—	20,253,101	20,253,101	—
12.404	National Guard Civilian Youth Opportunities		1,960,020	—	1,960,020	1,960,020	—
12.420	Military Medical Research and Development		(5,083)	—	(5,083)	(5,083)	—
12.431	Basic Scientific Research		12,262	—	12,262	—	12,262
12.550	International Education, U.S. Colleges and Universities		61,087	—	61,087	61,087	—
12.800	Air Force Defense Research Sciences Program		20,377	—	20,377	—	20,377
12.XXX4	Other Department of Defense Programs (National Security Agency)		3,404,168	—	3,404,168	3,404,168	—
12.XXX	Other Department of Defense Programs						
	PSMFC 00-69 444C.00		(152)	—	(152)	(152)	—
	W66QKZ33071963		26,298	—	26,298	26,298	—
	W66QKZ32870271		184,619	—	184,619	184,619	—
	W66QKZ23516218		299,936	—	299,936	299,936	—
	W66QKZ23304328		29,937	—	29,937	29,937	—
	W66QKZ23152774		31,226	—	31,226	31,226	—
	W66QKZ23112665		1,645,725	143,456	1,789,181	1,789,181	—
	W66QKZ23041764		54,865	—	54,865	54,865	—
	W66QKZ33566510 NWPOP-04-FH-01 & 02		3,843,990	—	3,843,990	3,843,990	—
	W66QKZ13530287		87	—	87	87	—
	TASK ORDER FW 2004-01		23,726	—	23,726	23,726	—
	OR6213820917		1,307,557	66,114	1,373,671	1,373,671	—
	NWPOP-02FH-02		(17,495)	—	(17,495)	(17,495)	—
	Not Available		75	—	75	75	—
	No Contract Number		131,538	—	131,538	131,538	—
	Contract Number Pending		3,239	—	3,239	3,239	—
	03-82		28,595	—	28,595	28,595	—
	W66QKIZ40157690		425,092	—	425,092	425,092	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
	W66QKZ03426204		(5)	—	(5)	(5)	—
12.XXX	Total Other Department of Defense Programs		8,018,853	209,570	8,228,423	8,228,423	—
Total Department of Defense			\$37,849,373	\$209,570	\$38,058,943	\$38,026,304	\$32,639
Department of Housing and Urban Development							
14.228	Community Development Block Grants/State's Program		\$797,013	\$14,573,064	\$15,370,077	\$15,303,117	\$66,960
14.231	Emergency Shelter Grants Program		14,632	812,829	827,461	827,461	—
14.235	Supportive Housing Program		238	882,260	882,498	882,498	—
14.239	HOME Investment Partnerships Program		7,148,893	3,439,444	10,588,337	10,588,337	—
14.241	Housing Opportunities for Persons with AIDS		709,563	—	709,563	709,563	—
14.246	Community Development Block Grants/Brownfields Economic Development Initiative		—	7,628	7,628	7,628	—
14.512	Community Development Work -Study Program		49,000	—	49,000	49,000	—
Total Department of Housing and Urban Development			\$8,719,339	\$19,715,225	\$28,434,564	\$28,367,604	\$66,960
Department of the Interior							
15.020	Aid to Tribal Governments		\$9,221	\$—	\$9,221	\$—	\$9,221
15.039	Fish, Wildlife, and Parks Programs on Indian Lands		22,082	—	22,082	22,082	—
15.043	Indian Child and Family Education		131,073	—	131,073	131,073	—
15.114	Indian Education Higher Education Grant Program		132,970	—	132,970	132,970	—
15.214	Non-Sale Disposals of Mineral Material		8	35,309	35,317	35,317	—
15.224	Cultural Resource Management		103,120	—	103,120	103,120	—
15.225	Recreation Resource Management		667,633	—	667,633	628,716	38,917
15.227	Distribution of Receipts to State and Local Governments		11	159,506	159,517	159,517	—
15.228	Wildland Urban Interface Community and Rural Fire Assistance		462,705	107,725	570,430	570,430	—
15.504	Water Reclamation and Reuse Program		466,290	8,900	475,190	475,190	—
15.608	Fish and Wildlife Management Assistance		121,804	37,230	159,034	159,034	—
15.614	Coastal Wetlands Planning, Protection and Restoration Act		9,057	844,121	853,178	853,178	—
15.615	Cooperative Endangered Species Conservation Fund		186,968	34,350	221,318	221,318	—
15.616	Clean Vessel Act		64,375	190,658	255,033	255,033	—
15.622	Sportfishing and Boating Safety Act		16,742	118,660	135,402	135,402	—
15.625	Wildlife Conservation and Restoration		348,488	128,704	477,192	477,192	—
15.630	Coastal Program		10,000	—	10,000	10,000	—
15.633	Landowner Incentive		425,771	—	425,771	425,771	—
15.634	State Wildlife Grants		342,945	—	342,945	342,945	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
15.805	Assistance to State Water Resources Research Institutes		40,232	—	40,232	40,232	—
15.807	Earthquake Hazards Reduction Program		39,118	—	39,118	39,118	—
15.808	U.S. Geological Survey Research and Data Acquisition		292,154	—	292,154	292,154	—
15.810	National Cooperative Geologic Mapping Program		259,629	—	259,629	259,629	—
15.904	Historic Preservation Fund Grants-In-Aid		658,853	181,762	840,615	840,615	—
15.916	Outdoor Recreation Acquisition, Development and Planning		172,750	610,368	783,118	783,118	—
15.929	Save America's Treasures		67,040	—	67,040	—	67,040
15.XXX	Other Department of the Interior Programs						
		135701J090A	517,676	—	517,676	517,676	—
		HAA992002	(194)	—	(194)	(194)	—
		H9430010001	2,777	—	2,777	2,777	—
		1510	99,094	—	99,094	99,094	—
15.XXX	Total Other Department of the Interior Programs		619,353	—	619,353	619,353	—
Total Department of the Interior			\$5,670,392	\$2,457,293	\$8,127,685	\$8,012,507	\$115,178
Department of Justice							
16.004	Law Enforcement Assistance Narcotics and Dangerous Drugs Training		\$119,211	\$—	\$119,211	\$119,211	\$—
16.200	Community Relations Service		7,827	—	7,827	7,827	—
16.202	Offender Reentry Program		161,507	527,804	689,311	689,311	—
16.203	Sex Offender Management Discretionary Grant		24,113	—	24,113	24,113	—
16.523	Juvenile Accountability Incentive Block Grants		409,145	1,967,227	2,376,372	2,376,372	—
16.524	Legal Assistance for Victims		2,776	—	2,776	2,776	—
16.525	Grants to Reduce Violent Crimes Against Women on Campus		82,469	—	82,469	82,469	—
16.540	Juvenile Justice and Delinquency Prevention Allocation to States		206,970	606,993	813,963	802,548	11,415
16.541	Developing, Testing and Demonstrating Promising New Programs		124,861	—	124,861	—	124,861
16.544	Gang-Free Schools and Communities Community-Based Gang Intervention		13,751	—	13,751	13,751	—
16.549	Part E State Challenge Activities		16,841	—	16,841	16,840	1
16.550	State Justice Statistics Program for Statistical Analysis Centers		49,098	—	49,098	49,098	—
16.554	National Criminal History Improvement Program (NCHIP)		(6,836)	—	(6,836)	(6,836)	—
16.575	Crime Victim Assistance		269,213	4,402,382	4,671,595	4,666,664	4,931
16.576	Crime Victim Compensation		848,349	—	848,349	848,349	—
16.579	Byrne Formula Grant Program		853,678	4,099,375	4,953,053	4,934,578	18,475
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		77,568	434,036	511,604	486,295	25,309
16.582	Crime Victim Assistance/Discretionary Grants		129,798	—	129,798	129,798	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
16.585	Drug Court Discretionary Grant Program		463,132	—	463,132	328,070	135,062
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants		26,018	5,593,472	5,619,490	5,619,490	—
16.588	Violence Against Women Formula Grants		237,811	1,507,074	1,744,885	1,744,885	—
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program		25,922	90,455	116,377	116,377	—
16.592	Local Law Enforcement Block Grants Program		11,555	328,841	340,396	340,396	—
16.593	Residential Substance Abuse Treatment for State Prisoners		219,244	203,531	422,775	422,775	—
16.595	Executive Office for Weed and Seed		686,961	—	686,961	686,961	—
16.606	State Criminal Alien Assistance Program		2,333,122	—	2,333,122	2,333,122	—
16.710	Public Safety Partnership and Community Policing Grants		810,225	—	810,225	810,225	—
16.712	Police Corps		15,414	1,404,561	1,419,975	1,419,975	—
16.726	Juvenile Mentoring Program		50,141	—	50,141	50,141	—
16.727	Enforcing Underage Drinking Laws Program		112,521	79,556	192,077	192,077	—
16.733	National Incident Based Reporting System		—	290,303	290,303	290,303	—
Total Department of Justice			\$8,382,405	\$21,535,610	\$29,918,015	\$29,597,961	\$320,054
Department of Labor							
17.002	Labor Force Statistics		\$1,426,750	\$—	\$1,426,750	\$1,426,750	\$—
17.225	Unemployment Insurance		1,172,573,474	—	1,172,573,474	1,172,573,474	—
17.235	Senior Community Service Employment Program		89,506	1,126,306	1,215,812	1,215,812	—
17.245	Trade Adjustment Assistance Workers		8,828,193	—	8,828,193	8,828,193	—
17.261	Employment and Training Administration Pilots, Demonstrations, and Research Projects		597,938	—	597,938	597,938	—
17.503	Occupational Safety and Health State Program		5,369,485	—	5,369,485	5,369,485	—
Total Department of Labor			\$1,188,885,346	\$1,126,306	\$1,190,011,652	\$1,190,011,652	\$—
Department of State							
19.401	Educational Exchange University Lecturers (Professors) and Research Scholars		\$(33,333)	\$—	\$(33,333)	\$(33,333)	\$—
19.402	International Visitors Program		10,463	—	10,463	10,463	—
19.420	Cooperative Grants		5,000	—	5,000	—	5,000
19.424	Educational Partnerships Program		308,357	—	308,357	308,357	—
19.XXX	Other Department of State Programs						
		03-182-2044-000	12,595	—	12,595	12,595	—
		Not Available	51,658	—	51,658	—	51,658

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		02-182-2044-000	1,332	—	1,332	1,332	—
19.XXX	Total Other Department of State Programs		65,585	—	65,585	13,927	51,658
Total Department of State			\$356,072	\$—	\$356,072	\$299,414	\$56,658
Department of Transportation							
20.106	Airport Improvement Program		\$3,181,857	\$—	\$3,181,857	\$3,181,857	\$—
20.215	Highway Training and Education		97,276	—	97,276	97,276	—
20.218	National Motor Carrier Safety		2,338,050	154,579	2,492,629	2,415,452	77,177
20.219	Recreational Trails Program		89,834	498,418	588,252	588,252	—
20.301	Railroad Safety		12,514	1,053,754	1,066,268	1,066,268	—
20.505	Transit Metropolitan Planning Grants		59,411	422,877	482,288	479,288	3,000
20.509	Formula Grants for Other Than Urbanized Areas		442,031	3,649,892	4,091,923	4,091,923	—
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities		115,093	3,954,606	4,069,699	4,069,699	—
20.515	State Planning and Research		5,923	—	5,923	—	5,923
20.516	Job Access Reverse Commute		—	13,773	13,773	13,773	—
20.700	Pipeline Safety		138,860	—	138,860	138,860	—
20.701	University Transportation Centers Program		43,236	—	43,236	—	43,236
Total Department of Transportation			\$6,524,085	\$9,747,899	\$16,271,984	\$16,142,648	\$129,336
Department of the Treasury							
21.XXX	State Fiscal Relief Payment		\$50,449,861	\$—	\$50,449,861	\$50,449,861	\$—
Total Department of the Treasury			\$50,449,861	\$—	\$50,449,861	\$50,449,861	\$—
Office of Personnel Management							
27.011	Intergovernmental Personnel Act (IPA) Mobility Program		\$445,909	\$—	\$445,909	\$445,909	\$—
Total Office of Personnel Management			\$445,909	\$—	\$445,909	\$445,909	\$—
Equal Opportunity Commission							
30.002	Employment Discrimination State and Local Fair Employment Practices Agency Contracts		\$499,139	\$—	\$499,139	\$499,139	\$—
Total Equal Opportunity Commission			\$499,139	\$—	\$499,139	\$499,139	\$—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
General Services Administration							
39.002	Disposal of Federal Surplus Real Property		\$11	\$42,488	\$42,499	\$42,499	\$—
39.003	Donation of Federal Surplus Personal Property		—	4,277,515	4,277,515	4,277,515	—
39.011	Election Reform Payments		3,889,760	—	3,889,760	3,889,760	—
Total General Services Administration			\$3,889,771	\$4,320,003	\$8,209,774	\$8,209,774	\$—
National Aeronautics and Space Administration							
43.001	Aerospace Education Services Program		\$53,119	\$—	\$53,119	\$53,119	\$—
Total National Aeronautics and Space Administration			\$53,119	\$—	\$53,119	\$53,119	\$—
National Foundation On the Arts and the Humanities							
45.024	Promotion of the Arts Grants to Organizations and Individuals		\$22,309	\$1,981	\$24,290	\$22,161	\$2,129
45.025	Promotion of the Arts Partnership Agreements		436,182	10,099	446,281	446,281	—
45.129	Promotion of the Humanities Federal/State Partnership		2,400	—	2,400	—	2,400
45.149	Promotion of the Humanities Division of Preservation and Access		2,442	—	2,442	2,442	—
45.163	Promotion of the Humanities Professional Development		79,391	—	79,391	79,391	—
45.301	Museum for America Grants		220,967	—	220,967	98,911	122,056
45.310	State Library Program		774,206	952,707	1,726,913	1,711,990	14,923
45.312	National Leadership Grants		66,279	—	66,279	65,300	979
Total National Foundation On the Arts and the Humanities			\$1,604,176	\$964,787	\$2,568,963	\$2,426,476	\$142,487
National Science Foundation							
47.041	Engineering Grants		\$245,711	\$—	\$245,711	\$226,837	\$18,874
47.049	Mathematical and Physical Sciences		500,988	—	500,988	499,908	1,080
47.050	Geosciences		75,222	—	75,222	35,005	40,217
47.070	Computer and Information Science and Engineering		96,340	—	96,340	96,340	—
47.074	Biological Sciences		41	—	41	41	—
47.075	Social, Behavioral, and Economic Sciences		73,951	—	73,951	73,951	—
47.076	Education and Human Resources		3,074,636	186,406	3,261,042	3,232,340	28,702
47.078	Polar Programs		3,205	—	3,205	3,205	—
Total National Science Foundation			\$4,070,094	\$186,406	\$4,256,500	\$4,167,627	\$88,873

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Small Business Administration							
59.005	Business Development Assistance to Small Business		\$4	\$—	\$4	\$4	\$—
59.037	Small Business Development Center		78,369	—	78,369	—	78,369
59.XXX	Other Small Business Administration Program	SBAHQ-03-I-0063	993,500	—	993,500	993,500	—
Total Small Business Administration			\$1,071,873	\$—	\$1,071,873	\$993,504	\$78,369
Department of Veterans Affairs							
64.015	Veterans State Nursing Home Care		\$2,510,094	\$—	\$2,510,094	\$2,510,094	\$—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans		32,029	—	32,029	32,029	—
64.XXX	Other Department of Veterans Affairs Programs						
		V101 (223B) P -44-49	109,624	—	109,624	109,624	—
		V101 (223B) P -43-49	19,390	—	19,390	19,390	—
64.XXX	Total Other Department of Veterans Affairs Programs		129,014	—	129,014	129,014	—
Total Department of Veterans Affairs			\$2,671,137	\$—	\$2,671,137	\$2,671,137	\$—
Environmental Protection Agency							
66.001	Air Pollution Control Program Support		\$2,035,409	\$21,992	\$2,057,401	\$2,057,401	\$—
66.032	State Indoor Radon Grants		108,297	—	108,297	108,297	—
66.034	Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act		495,218	75,000	570,218	570,218	—
66.419	Water Pollution Control State and Interstate Program Support		3,979,026	—	3,979,026	3,979,026	—
66.432	State Public Water System Supervision		1,571,774	332,352	1,904,126	1,904,126	—
66.433	State Underground Water Source Protection		126,944	—	126,944	126,944	—
66.438	Construction Management Assistance		10,174	—	10,174	10,174	—
66.439	Targeted Watershed Grants		52,171	—	52,171	52,171	—
66.454	Water Quality Management Planning		151,956	—	151,956	151,956	—
66.458	Capitalization Grants for Clean Water State Revolving Funds		897,733	17,309,613	18,207,346	18,207,346	—
66.460	Nonpoint Source Implementation Grants		1,467,672	1,346,996	2,814,668	2,814,668	—
66.461	Wetland Program Grants		170,637	—	170,637	170,637	—
66.463	Water Quality Cooperative Agreements		227,109	21,227	248,336	248,336	—
66.468	Capitalization Grants for Drinking Water State Revolving Fund		2,538,436	10,372,983	12,911,419	12,911,419	—
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs		93,881	—	93,881	93,881	—
66.472	Beach Monitoring and Notification Program Implementation Grants		362,222	—	362,222	362,222	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
66.474	Water Protection Grants to the States		37,136	—	37,136	37,136	—
66.500	Environmental Protection -Consolidated Research		1,984,235	13,870	1,998,105	1,772,316	225,789
66.605	Performance Partnership Grants		5,729	—	5,729	—	5,729
66.606	Surveys, Studies, Investigations and Special Purpose Grants		346,004	28,303	374,307	319,642	54,665
66.607	Training and Fellowships for the Environmental Protection Agency		63,666	—	63,666	63,666	—
66.608	Environmental Information Exchange Network Grant Program		316,552	31,300	347,852	347,852	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		209,443	—	209,443	209,443	—
66.707	TSCA Title IV State Lead Grants Certification of Lead Based Paint Professionals		372,446	35	372,481	372,481	—
66.708	Pollution Prevention Grants Program		40,047	14,651	54,698	54,698	—
66.709	Capacity Building Grants and Cooperative Agreements for States and Tribes		42,185	—	42,185	42,185	—
66.801	Hazardous Waste Management State Program Support		793,641	—	793,641	793,641	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		3,125,070	—	3,125,070	3,125,070	—
66.804	State and Tribal Underground Storage Tanks Program		313,866	—	313,866	313,866	—
66.805	Leaking Underground Storage Tank Trust Fund Program		878,782	—	878,782	878,782	—
66.807	Superfund Innovative Technology Evaluation Program		596,168	—	596,168	596,168	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		413,121	—	413,121	413,121	—
66.811	Brownfield Pilots Cooperative Agreements		46,464	—	46,464	46,464	—
66.817	State and Tribal Response Program Grants		1,106,915	—	1,106,915	1,106,915	—
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		286,459	—	286,459	286,459	—
66.951	Environmental Education Grants		828	—	828	828	—
Total Environmental Protection Agency			\$25,267,416	\$29,568,322	\$54,835,738	\$54,549,555	\$286,183
Department of Energy							
81.041	State Energy Program		\$725,051	\$—	\$725,051	\$725,051	\$—
81.042	Weatherization Assistance for Low-Income Persons		136,738	2,657,951	2,794,689	2,794,689	—
81.049	Office of Science Financial Assistance Program		191	—	191	(22)	213
81.079	Regional Biomass Energy Programs		46,039	—	46,039	46,039	—
81.087	Renewable Energy Research and Development		319,191	—	319,191	319,154	37
81.092	Environmental Restoration		645,874	—	645,874	645,874	—
81.104	Office of Environmental Cleanup and Acceleration		10,187	—	10,187	10,187	—
81.105	National Industrial Competitiveness through Energy, Environment, and Economics		361,042	—	361,042	361,042	—
81.114	University Reactor Infrastructure and Education Support		11,435	—	11,435	11,435	—
81.117	Energy Efficiency and Renewable Energy Information Dissemination,		416,821	—	416,821	253,384	163,437

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
	Outreach, Training and Technical Analysis/Assistance						
81.118	Solar Energy Partnership Support and Barrier Elimination		1,568	—	1,568	1,568	—
81.119	State Energy Program Special Projects		213,168	—	213,168	213,168	—
81.XXX	Other Department of Energy Programs						
	4656		123,774	—	123,774	123,774	—
	4345		178,491	—	178,491	178,491	—
	4340		265,398	—	265,398	265,398	—
	4338		258,634	—	258,634	258,634	—
	4293		29,093	—	29,093	29,093	—
	4122		479,021	—	479,021	479,021	—
	4121		561,921	12,759	574,680	574,680	—
	4120		840,294	—	840,294	840,294	—
	4786		62,155	—	62,155	62,155	—
	4101		360,306	—	360,306	360,306	—
	5885		25,461	—	25,461	25,461	—
	4093		12,965	—	12,965	12,965	—
	4119		734,136	—	734,136	734,136	—
	4888		76,746	—	76,746	76,746	—
	4933		238,135	—	238,135	238,135	—
	5101		291,797	—	291,797	291,797	—
	5122		616,454	—	616,454	616,454	—
	5205		120,956	—	120,956	120,956	—
	5261		199,377	—	199,377	199,377	—
	5840		443,986	—	443,986	443,986	—
	5896		297,051	—	297,051	297,051	—
	Contract Number Pending		420,889	—	420,889	420,889	—
	No Agreement Number		54,179	—	54,179	54,179	—
	405-00		3,188	—	3,188	3,188	—
	ODFW 001-2303C		14,643	—	14,643	14,643	—
	DE-FG51-00R021145		—	(85,418)	(85,418)	(85,418)	—
	5632		218,379	169,575	387,954	387,954	—
	03-29		108,057	—	108,057	108,057	—
	04-56		563	—	563	563	—
	04-49		292,049	—	292,049	292,049	—
	03-96		220,375	—	220,375	220,375	—
	03-75		105,354	—	105,354	105,354	—
	03-74		55,618	—	55,618	55,618	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		03-64	19,199	—	19,199	19,199	—
		03-62	571,078	12,320	583,398	583,398	—
		04-57	10,779	—	10,779	10,779	—
		03-57	36,036	—	36,036	36,036	—
		02-71	(75)	—	(75)	(75)	—
		02-60	(903)	—	(903)	(903)	—
		4033	165,971	—	165,971	165,971	—
		02-36	(6,042)	—	(6,042)	(6,042)	—
		01-23	3,369	—	3,369	3,369	—
		00004293 00003637	(53)	—	(53)	(53)	—
		00004121 00000193	(914)	—	(914)	(914)	—
		00001159	28,956	569,201	598,157	598,157	—
		ODFW 001 -3167C	32,801	—	32,801	32,801	—
		03-58	34	—	34	34	—
		14862	296,342	43,740	340,082	340,082	—
		04-72 BPA Project 1987-127-00	33,251	—	33,251	33,251	—
		4023	594,497	—	594,497	594,497	—
		402-00	7,976	—	7,976	7,976	—
		4005	1,448,672	315,082	1,763,754	1,763,754	—
		4001	342,315	—	342,315	342,315	—
		204003	(17)	—	(17)	(17)	—
		17640	51,298	—	51,298	51,298	—
		02-59	(1,130)	—	(1,130)	(1,130)	—
		4028	207,102	—	207,102	207,102	—
		141104J071	136,513	—	136,513	136,513	—
		141103J050	380,644	—	380,644	380,644	—
		141103J006	801,661	—	801,661	801,661	—
		141101J049	32,333	—	32,333	32,333	—
		1411-04-J006	1,809,906	1,328	1,811,234	1,811,234	—
		13349	20,625	—	20,625	20,625	—
		11965	62,126	—	62,126	62,126	—
		10622	7,434	—	7,434	7,434	—
		04-73 BPA Project 1987-127-00	83,472	—	83,472	83,472	—
		15113	130,822	—	130,822	130,822	—
81.XXX	Total Other Department of Energy Programs		<u>15,015,523</u>	<u>1,038,587</u>	<u>16,054,110</u>	<u>16,054,109</u>	<u>—</u>
Total Department of Energy			<u>\$17,902,828</u>	<u>\$3,696,538</u>	<u>\$21,599,366</u>	<u>\$21,435,679</u>	<u>\$163,687</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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of Education							
84.002	Adult Education State Grant Program		\$690,632	\$4,322,266	\$5,012,898	\$5,012,898	\$—
84.010	Title I Grants to Local Educational Agencies		646,393	98,500,352	99,146,745	99,146,745	—
84.011	Migrant Education State Grant Program		66,861	11,862,703	11,929,564	11,929,564	—
84.013	Title I Program for Neglected and Delinquent Children		951,851	714,429	1,666,280	1,666,280	—
84.016	Undergraduate International Studies and Foreign Language Programs		68,674	—	68,674	68,674	—
84.031	Higher Education Institution Aid		118,570	—	118,570	118,570	—
84.032	Federal Family Education Loans		196,559,175	—	196,559,175	196,559,175	—
84.037	Perkins Loan Cancellations		904,127	—	904,127	904,127	—
84.048	Vocational Education Basic Grants to States		1,626,503	8,673,073	10,299,576	10,271,632	27,944
84.069	Leveraging Educational Assistance Partnership		429,039	—	429,039	429,039	—
84.078	Special Education Postsecondary Education Programs for Persons with Disabilities		(2,108)	—	(2,108)	—	(2,108)
84.116	Fund for the Improvement of Postsecondary Education		2,198,190	11,416	2,209,606	2,196,690	12,916
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		25,388,131	1,986,667	27,374,798	27,383,827	(9,029)
84.129	Rehabilitation Long Term Training		441,179	—	441,179	441,179	—
84.133	National Institute on Disability and Rehabilitation Research		9,383	—	9,383	—	9,383
84.141	Migrant Education High School Equivalency Program		536,550	—	536,550	536,550	—
84.153	Business and International Education Projects		58,743	—	58,743	58,743	—
84.160	Training Interpreters for Individuals who are Deaf and Individuals Who are Deaf-Blind		175,976	—	175,976	175,976	—
84.161	Rehabilitation Services Client Assistance Program		9,230	113,871	123,101	123,101	—
84.169	Independent Living State Grants		1,507,590	129,077	1,636,667	1,636,667	—
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind		268,284	—	268,284	268,284	—
84.181	Special Education Grants for Infants and Families with Disabilities		6,375,590	3,769,728	10,145,318	3,964,281	6,181,037
84.184	Safe and Drug-Free Schools and Communities National Programs		292,103	—	292,103	17,500	274,603
84.185	Byrd Honors Scholarships		453,625	—	453,625	453,625	—
84.186	Safe and Drug Free Schools and Communities State Grants		1,088,616	2,588,277	3,676,893	3,617,160	59,733
84.187	Supported Employment Services for Individuals with Severe Disabilities		606,871	—	606,871	606,871	—
84.195	Bilingual Education Professional Development		1,080,334	10,873	1,091,207	1,091,207	—
84.196	Education for Homeless Children and Youth		105,314	282,956	388,270	388,270	—
84.200	Graduate Assistance in Areas of National Need		387,590	—	387,590	387,590	—
84.213	Even Start State Educational Agencies		126,675	2,267,754	2,394,429	2,394,429	—
84.215	Fund for the Improvement of Education		218,704	110,306	329,010	291,887	37,123
84.224	Assistive Technology		62,062	300,606	362,668	325,733	36,935

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
84.229	Language Resource Centers		314,334	—	314,334	314,334	—
84.235	Rehabilitation Services Demonstration and Training Programs		356,185	158,262	514,447	514,447	—
84.243	Tech-Prep Education		64,848	1,255,215	1,320,063	1,320,063	—
84.265	Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training		104,312	—	104,312	104,312	—
84.276	Goals 2000-State and Local Education Systemic Improvement Grants		201	—	201	—	201
84.278	School to Work Opportunities		—	302,698	302,698	302,698	—
84.281	Eisenhower Professional Development State Grants		675,616	396,696	1,072,312	1,072,312	—
84.282	Charter Schools		262,755	5,382,857	5,645,612	5,645,612	—
84.283	Comprehensive Regional Assistance Centers		242,333	—	242,333	242,333	—
84.287	Twenty-First Century Community Learning Centers		128,818	2,422,897	2,551,715	2,515,050	36,665
84.298	State Grants for Innovative Programs		766,474	3,417,604	4,184,078	4,184,078	—
84.299	Indian Education Special Program		637,701	—	637,701	637,701	—
84.318	Education Technology State Grants		97,823	3,605,900	3,703,723	3,703,723	—
84.323	Special Education State Program Improvement Grants for Children with Disabilities		859,049	75,412	934,461	764,428	170,033
84.324	Special Education Research and Innovation to Improve Services and Results for Children with Disabilities		633,826	16,317	650,143	543,492	106,651
84.325	Special Education Personnel Preparation to Improve Services and Results for Children with Disabilities		2,379,780	41,420	2,421,200	2,318,473	102,727
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		1,788,519	452,700	2,241,219	1,958,795	282,424
84.330	Advanced Placement Program		100,528	15,747	116,275	87,399	28,876
84.331	Grants to States for Incarcerated Youth Offenders		44,984	—	44,984	44,984	—
84.332	Comprehensive School Reform Demonstration		78,966	2,300,757	2,379,723	2,379,723	—
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		1,895,382	588,521	2,483,903	2,483,903	—
84.335	Child Care Access Means Parents in School		97,821	—	97,821	97,821	—
84.336	Teacher Quality Enhancement Grants		295,455	—	295,455	279,190	16,265
84.338	Reading Excellence		21,585	74,489	96,074	96,074	—
84.339	Learning Anytime Anywhere Partnerships		83,986	—	83,986	83,986	—
84.340	Class Size Reduction		(393)	173,434	173,041	173,041	—
84.342	Preparing Tomorrow's Teachers to Use Technology		266,122	6,000	272,122	272,122	—
84.346	Vocational Education Occupational and Employment Information State Grants		88,048	—	88,048	88,048	—
84.348	Title I Accountability Grants		—	461,062	461,062	461,062	—
84.349	Early Childhood Educator Professional Development		36,226	—	36,226	36,226	—
84.350	Transition to Teaching		357,442	—	357,442	297,089	60,353

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
84.351	Arts in Education		16,015	—	16,015	—	16,015
84.352	School Renovation Grants		14,300	4,011,623	4,025,923	4,025,923	—
84.357	Reading First State Grants		2,595,629	5,257,198	7,852,827	5,742,175	2,110,652
84.358	Rural Education		9,288	408,427	417,715	417,715	—
84.363	School Leadership		62,088	—	62,088	—	62,088
84.365	English Language Acquisition Grants		190,806	4,087,693	4,278,499	4,278,499	—
84.366	Mathematics and Science Partnerships		30,259	—	30,259	30,259	—
84.367	Improving Teacher Quality State Grants		693,209	21,176,082	21,869,291	21,869,291	—
84.369	State Assessments		2,554,800	—	2,554,800	2,554,800	—
84.928	National Writing Project		109,692	—	109,692	—	109,692
84.989	Oregon Employment Initiative		350,080	—	350,080	350,080	—
84.XXX	Other Department of Education Programs						
		ED-99-CO-0060	35,736	—	35,736	35,736	—
		EDOERI-03-000428	63,111	—	63,111	63,111	—
84.XXX	Total Other Department of Education Programs		98,847	—	98,847	98,847	—
Total Department of Education			\$262,854,196	\$191,733,365	\$454,587,561	\$444,856,382	\$9,731,179
United States Institute of Peace							
91.001	Unsolicited Grant Program		\$12,741	\$—	\$12,741	\$12,741	\$—
Total United States Institute of Peace			\$12,741	\$—	\$12,741	\$12,741	\$—
Department of Health and Human Services							
93.003	Public Health and Social Services Emergency Fund		\$374,820	\$—	\$374,820	\$374,820	\$—
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program		90,062	—	90,062	90,062	—
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation		(28,795)	10,684	(18,111)	(18,111)	—
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals		160,846	—	160,846	160,846	—
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services		(140,094)	182,429	42,335	42,335	—
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects		155,178	—	155,178	155,178	—
93.052	National Family Caregiver Support Program		(1,037,997)	1,509,420	471,423	471,423	—
93.103	Food and Drug Administration Research		144,696	—	144,696	144,696	—
93.110	Maternal and Child Health Federal Consolidated Programs		556,762	2,863	559,625	559,625	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.113	Biological Response to Environmental Health Hazards		327,753	—	327,753	327,753	—
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		695,234	150,681	845,915	845,915	—
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity		28,931	193,634	222,565	222,565	—
93.127	Emergency Medical Services for Children		103,905	—	103,905	103,905	—
93.130	Primary Care Services Resource Coordination and Development		243,544	—	243,544	243,544	—
93.136	Injury Prevention and Control Research and State and Community Based Programs		868,611	413,055	1,281,666	1,281,666	—
93.143	NIEHS Superfund Hazardous Substances — Basic Research and Education		6,242	—	6,242	—	6,242
93.150	Projects for Assistance in Transition from Homelessness (PATH)		10,335	363,126	373,461	373,461	—
93.161	Health Program for Toxic Substances and Disease Registry		104,556	4,645	109,201	109,201	—
93.184	Disabilities Prevention		294,044	142,150	436,194	436,194	—
93.189	Health Education and Training Centers		9,935	—	9,935	—	9,935
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children		212,469	—	212,469	212,469	—
93.206	Human Health Studies Applied Research and Development		32,712	—	32,712	32,712	—
93.213	Research and Training in Complementary and Alternative Medicine		49,954	—	49,954	49,954	—
93.217	Family Planning Services		728,905	1,548,868	2,277,773	2,277,773	—
93.218	Substance Abuse Treatment Conference Grants		44,000	—	44,000	—	44,000
93.226	Research on Healthcare Costs, Quality and Outcomes		194,433	—	194,433	194,433	—
93.230	Consolidated Knowledge Development and Application (KD&A) Program		150,608	—	150,608	91,684	58,924
93.235	Abstinence Education		421,551	—	421,551	421,551	—
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement		67,112	—	67,112	67,112	—
93.240	State Capacity Building		361,683	—	361,683	361,683	—
93.241	State Rural Hospital Flexibility Program		29	—	29	29	—
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance		326,186	—	326,186	326,186	—
93.251	Universal Newborn Hearing Screening		274,608	—	274,608	274,608	—
93.256	State Planning Grant Health Care Access for the Uninsured		9,587	—	9,587	9,587	—
93.259	Rural Access to Emergency Devices Grant		210,202	—	210,202	210,202	—
93.262	Occupational Safety and Health Research Projects		670,743	6,554	677,297	366,038	311,259
93.263	Occupational Safety and Health Training Grants		81,567	—	81,567	53,348	28,219
93.268	Immunization Grants		4,186,499	5,326,912	9,513,411	9,513,411	—
93.273	Alcohol Research Programs		165,955	—	165,955	—	165,955
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance		13,286,904	8,244,718	21,531,622	21,531,622	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.389	National Center for Research Resources		(23,982)	—	(23,982)	(23,982)	—
93.399	Cancer Control		46,920	—	46,920	46,920	—
93.556	Promoting Safe and Stable Families		2,100,998	535,699	2,636,697	2,636,697	—
93.558	Temporary Assistance for Needy Families		150,180,099	1,323,282	151,503,381	151,503,381	—
93.563	Child Support Enforcement		37,431,155	9,796,320	47,227,475	47,227,475	—
93.566	Refugee and Entrant Assistance State Administered Programs		4,719,633	—	4,719,633	4,719,633	—
93.568	Low-Income Home Energy Assistance		405,096	21,893,771	22,298,867	22,298,867	—
93.569	Community Services Block Grant		210,280	5,311,166	5,521,446	5,521,446	—
93.570	Community Services Block Grant Discretionary Awards		72,175	(146)	72,029	9,270	62,759
93.571	Community Services Block Grant Discretionary Awards Community Food and Nutrition		85,217	42,620	127,837	47,628	80,209
93.574	Child Care for Families At -Risk of Welfare Dependency		(2,159)	—	(2,159)	(2,159)	—
93.576	Refugee and Entrant Assistance Discretionary Grants		632,251	456,237	1,088,488	892,495	195,993
93.584	Refugee and Entrant Assistance Targeted Assistance Grants		1,395,479	—	1,395,479	1,395,479	—
93.585	Empowerment Zones Program		266,323	—	266,323	266,323	—
93.586	State Court Improvement Program		174,862	—	174,862	174,862	—
93.590	Community-Based Family Resource and Support Grants		11,181	83,458	94,639	94,639	—
93.597	Grants to States for Access and Visitation Programs		44,380	17,040	61,420	61,420	—
93.599	Chafee Education and Training Vouchers Program (ETV)		134,204	—	134,204	134,204	—
93.600	Head Start		1,794,227	220,417	2,014,644	2,010,206	4,438
93.617	Voting Access for Individuals with Disabilities Grants to States		20,918	6,319	27,237	27,237	—
93.623	Basic Center Grant		96,131	—	96,131	96,131	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants		784,733	—	784,733	784,733	—
93.631	Developmental Disabilities Projects of National Significance		31,735	—	31,735	31,735	—
93.643	Children's Justice Grants to States		244,560	—	244,560	244,560	—
93.645	Child Welfare Services State Grants		3,268,266	—	3,268,266	3,268,266	—
93.647	Social Services Research and Demonstration		139,525	45,796	185,321	185,321	—
93.648	Child Welfare Services Training Grants		852,058	—	852,058	224,157	627,901
93.658	Foster Care Title IV-E		42,490,321	112,159	42,602,480	40,884,929	1,717,551
93.659	Adoption Assistance		23,221,055	—	23,221,055	23,221,055	—
93.667	Social Services Block Grant		22,739,428	2,567,127	25,306,555	25,306,555	—
93.669	Child Abuse and Neglect State Grants		851,469	—	851,469	846,946	4,523
93.670	Child Abuse and Neglect Discretionary Activities		59,731	—	59,731	59,731	—
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes		50,776	1,261,864	1,312,640	1,312,640	—
93.673	Grants to States for Planning and Development of Dependent Care Programs		4,474	—	4,474	4,474	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.674	Chafee Foster Care Independent Living		1,993,202	—	1,993,202	1,993,202	—
93.767	State Children's Insurance Program		20,800,772	—	20,800,772	20,800,772	—
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities		963,010	—	963,010	963,010	—
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		675,967	328,931	1,004,898	1,004,898	—
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders		778	—	778	—	778
93.859	Pharmacology, Physiology, and Biological Chemistry Research		319,099	—	319,099	319,099	—
93.865	Child Health and Human Development Extramural Research		12,147	—	12,147	—	12,147
93.894	Resource and Manpower Development in the Environmental Health Services		402,640	—	402,640	399,552	3,088
93.912	Rural Health Outreach and Rural Network Development Program		188,644	—	188,644	188,644	—
93.917	HIV Care Formula Grants		6,269,652	994,545	7,264,197	7,264,197	—
93.919	Cancer Early Detection Programs		85,658	(650)	85,008	85,008	—
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		545,515	70,081	615,596	615,596	—
93.940	HIV Prevention Activities—Health Department Based		1,832,626	1,738,509	3,571,135	3,571,135	—
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		486,974	—	486,974	486,974	—
93.945	Assistance Program for Chronic Disease Prevention and Control		245,918	—	245,918	245,918	—
93.952	Improving EMS/Trauma Care in Rural Areas		9,673	—	9,673	9,673	—
93.958	Block Grants for Community Mental Health Services		176,656	4,125,898	4,302,554	4,302,554	—
93.959	Block Grants for Prevention and Treatment of Substance Abuse		1,920,532	15,257,120	17,177,652	17,177,652	—
93.969	Geriatric Education Centers		91,844	—	91,844	—	91,844
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants		1,670,052	—	1,670,052	1,670,052	—
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems		547,122	169,533	716,655	716,655	—
93.991	Preventative Health and Health Services Block Grant		687,925	62,623	750,548	750,548	—
93.994	Maternal and Child Health Services Block Grant to the States		1,373,385	2,518,070	3,891,455	3,891,455	—
Total Department of Health and Human Services			\$360,277,585	\$87,037,528	\$447,315,113	\$443,889,348	\$3,425,765
Corporation For National and Community Service							
94.003	State Commissions		\$335,851	\$—	\$335,851	\$210,029	\$125,822
94.004	Learn and Serve America School and Community Based Programs		75,323	140,230	215,553	215,553	—
94.005	Learn and Serve America Higher Education		313,113	35,090	348,203	257,051	91,152

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
94.006	AmeriCorps		1,091,748	1,068,161	2,159,909	2,159,909	—
94.007	Planning and Program Development Grants		25,464	3,040	28,504	28,504	—
94.009	Training and Technical Assistance		61,281	—	61,281	61,281	—
94.013	Volunteers in Service to America		15,059	—	15,059	15,059	—
Total Corporation For National and Community Service			\$1,917,839	\$1,246,521	\$3,164,360	\$2,947,386	\$216,974
Department of Homeland Security							
97.004	State Domestic Preparedness Equipment Support Program		\$44,135	\$—	\$44,135	\$44,135	\$—
97.008	Urban Areas Security Initiative		1,152	—	1,152	1,152	—
97.012	Boating Safety Financial Assistance		40,569	1,045,955	1,086,524	1,086,524	—
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants		55,283	—	55,283	55,283	—
97.018	National Fire Academy Training Assistance		10,231	—	10,231	10,231	—
97.020	Hazardous Materials Training Program		148,697	—	148,697	148,697	—
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		115,759	—	115,759	115,759	—
97.029	Flood Mitigation Assistance		8,417	196,846	205,263	205,263	—
97.036	Public Assistance Grants		142,141	4,476,491	4,618,632	4,618,632	—
97.038	First Responder Counter-Terrorism Training Assistance		40,101	—	40,101	40,101	—
97.039	Hazard Mitigation Grant		3,626	558,556	562,182	562,182	—
97.040	Chemical Stockpile Emergency Preparedness Program		2,910,476	7,535,150	10,445,626	10,445,626	—
97.041	National Dam Safety Program		56,823	—	56,823	56,823	—
97.042	Emergency Management Performance Grants		573,007	2,015,083	2,588,090	2,588,090	—
97.046	Fire Management Assistance Grant		159,130	—	159,130	159,130	—
97.047	Pre-Disaster Mitigation		183,306	152,234	335,540	152,457	183,083
97.051	State and Local All Hazards Emergency Operations Planning		147,827	815,311	963,138	963,138	—
97.053	Citizen Corps		51,283	374,148	425,431	425,431	—
97.067	Homeland Security Grant Program		97,351	7,470,963	7,568,314	7,568,314	—
Total Department of Homeland Security			\$4,789,314	\$24,640,737	\$29,430,051	\$29,246,968	\$183,083
United States Agency for International Development							
98.001	USAID Foreign Assistance for Programs Overseas		\$80,201	\$—	\$80,201	\$—	\$80,201
Total United States Agency for International Development			\$80,201	\$—	\$80,201	\$—	\$80,201

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Presidential Program							
99.XXX	HIDTA — Presidential Order	XX.I4PORP501	\$806,770	\$1,587,971	\$2,394,741	\$2,394,741	\$—
Total Presidential Program			\$806,770	\$1,587,971	\$2,394,741	\$2,394,741	\$—
Food Stamp Cluster							
10.551	Food Stamps		\$407,946,697	\$—	\$407,946,697	\$407,786,556	\$160,141
10.561	State Administrative Matching Grants for Food Stamp Program		35,880,379	—	35,880,379	35,880,379	—
Total Food Stamp Cluster			\$443,827,076	\$—	\$443,827,076	\$443,666,935	\$160,141
Child Nutrition Cluster							
10.553	School Breakfast Program		\$456,329	\$22,521,753	\$22,978,082	\$22,978,082	\$—
10.555	National School Lunch Program		801,174	63,947,559	64,748,733	64,748,733	—
10.556	Special Milk Program for Children		—	129,779	129,779	129,779	—
10.559	Summer Food Service Program for Children		112,924	1,040,087	1,153,011	1,129,795	23,216
Total Child Nutrition Cluster			\$1,370,427	\$87,639,178	\$89,009,605	\$88,986,389	\$23,216
Emergency Food Assistance Cluster							
10.568	Emergency Food Assistance Program (Administrative Costs)		\$91,221	\$818,053	\$909,274	\$909,274	\$—
10.569	Emergency Food Assistance Program (Food Commodities)		—	6,407,381	6,407,381	6,407,381	—
Total Emergency Food Assistance Cluster			\$91,221	\$7,225,434	\$7,316,655	\$7,316,655	\$—
Schools and Roads Cluster							
10.665	Schools and Roads Grants to States		\$19	\$140,719,447	\$140,719,466	\$140,719,466	\$—
Total Schools and Roads Cluster			\$19	\$140,719,447	\$140,719,466	\$140,719,466	\$—
Public Works and Economic Development Cluster							
11.307	Economic Adjustment Assistance		\$62,181	\$—	\$62,181	\$62,181	\$—
Total Public Works and Economic Development Cluster			\$62,181	\$—	\$62,181	\$62,181	\$—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Section 8 Project-Based Cluster							
14.182	Lower Income Housing Assistance Program—Section 8 New Construction/Substantial Rehabilitation		\$49,884,866	\$—	\$49,884,866	\$49,884,866	\$—
Total Section 8 Project-Based Cluster			\$49,884,866	\$—	\$49,884,866	\$49,884,866	\$—
CDBG — Entitlement and Small Cities Cluster							
14.218	Community Development Block Grants/Entitlement Grants		\$1,103,419	\$—	\$1,103,419	\$1,000,000	\$103,419
Total CDBG — Entitlement and Small Cities Cluster			\$1,103,419	\$—	\$1,103,419	\$1,000,000	\$103,419
Fish and Wildlife Cluster							
15.605	Sport Fish Restoration		\$5,841,147	\$1,319,430	\$7,160,577	\$7,160,577	\$—
15.611	Wildlife Restoration		4,523,158	5,843	4,529,001	4,529,001	—
Total Fish and Wildlife Cluster			\$10,364,305	\$1,325,273	\$11,689,578	\$11,689,578	\$—
Employment Service Cluster							
17.207	Employment Service		\$10,047,366	\$74,079	\$10,121,445	\$10,121,445	\$—
17.801	Disabled Veterans' Outreach Program (DVOP)		1,203,542	—	1,203,542	1,203,542	—
17.804	Local Veterans' Employment Representative Program		1,288,564	—	1,288,564	1,288,564	—
Total Employment Service Cluster			\$12,539,472	\$74,079	\$12,613,551	\$12,613,551	\$—
WIA Cluster							
17.258	WIA Adult Program		\$2,835,874	\$9,128,922	\$11,964,796	\$11,960,075	\$4,721
17.259	WIA Youth Activities		—	7,419,738	7,419,738	7,414,827	4,911
17.260	WIA Dislocated Workers		1,914,999	40,510,262	42,425,261	42,415,858	9,403
Total WIA Cluster			\$4,750,873	\$57,058,922	\$61,809,795	\$61,790,760	\$19,035
Highway Planning and Construction Cluster							
20.205	Highway Planning and Construction		\$327,226,193	\$20,593,080	\$347,819,273	\$347,819,273	\$—
Total Highway Planning and Construction Cluster			\$327,226,193	\$20,593,080	\$347,819,273	\$347,819,273	\$—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Highway Safety Cluster							
20.600	State and Community Highway Safety		\$939,652	\$515,749	\$1,455,401	\$1,422,107	\$33,294
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		220,769	575,557	796,326	659,043	137,283
20.602	Occupant Protection		62,126	262,134	324,260	279,832	44,428
20.603	Highway Safety Data Improvements Incentive Grants		23,625	23,404	47,029	47,029	—
20.604	Safety Incentive Grants for Use of Seatbelts		411,027	322,585	733,612	695,192	38,420
20.605	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons		995,733	464,038	1,459,771	1,255,844	203,927
Total Highway Safety Cluster			<u>\$2,652,932</u>	<u>\$2,163,467</u>	<u>\$4,816,399</u>	<u>\$4,359,047</u>	<u>\$457,352</u>
Special Education Cluster (IDEA)							
84.027	Special Education Grants to States		\$4,331,810	\$85,582,290	\$89,914,100	\$89,290,799	\$623,301
84.173	Special Education Preschool Grants		276,178	3,153,109	3,429,287	3,429,287	—
Total Special Education Cluster (IDEA)			<u>\$4,607,988</u>	<u>\$88,735,399</u>	<u>\$93,343,387</u>	<u>\$92,720,086</u>	<u>\$623,301</u>
Student Financial Assistance Programs							
84.007	Supplemental Education Opportunity Grants		\$4,370,296	\$—	\$4,370,296	\$4,370,296	\$—
84.032	Family Education Loans		97,933,056	—	97,933,056	97,933,056	—
84.033	Work-Study Program		4,807,639	—	4,807,639	4,807,639	—
84.038	Perkins Loan Program Federal Capital Contributions		185,475	—	185,475	185,475	—
84.063	Pell Grant Program		51,956,621	—	51,956,621	51,956,621	—
84.268	Direct Student Loans		193,514,752	—	193,514,752	193,514,752	—
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		12,586	—	12,586	12,586	—
Total Student Financial Assistance Programs			<u>\$352,780,425</u>	<u>\$—</u>	<u>\$352,780,425</u>	<u>\$352,780,425</u>	<u>\$—</u>
TRIO Cluster							
84.042	TRIO Student Support Services		\$1,784,667	\$—	\$1,784,667	\$1,784,667	\$—
84.044	TRIO Talent Search		324,260	—	324,260	324,260	—
84.047	TRIO Upward Bound		602,502	—	602,502	602,502	—
84.217	TRIO McNair Post-Baccalaureate Achievement		593,596	—	593,596	593,596	—
Total TRIO Cluster			<u>\$3,305,025</u>	<u>\$—</u>	<u>\$3,305,025</u>	<u>\$3,305,025</u>	<u>\$—</u>

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Aging Cluster							
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers		\$(41,237)	\$4,034,933	\$3,993,696	\$3,993,696	\$—
93.045	Special Programs for the Aging Title III, Part C Nutrition Services		(46,680)	5,578,721	5,532,041	5,532,041	—
93.053	Nutrition Services Incentive Program		65,724	1,395,358	1,461,082	1,461,082	—
Total Aging Cluster			<u>\$(22,193)</u>	<u>\$11,009,012</u>	<u>\$10,986,819</u>	<u>\$10,986,819</u>	<u>\$—</u>
Child Care and Development Fund (CCDF) Cluster							
93.575	Child Care and Development Block Grant		\$13,935,164	\$6,069,302	\$20,004,466	\$19,303,801	\$700,665
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		30,629,988	178,944	30,808,932	30,787,317	21,615
Total Child Care and Development Fund (CCDF) Cluster			<u>\$44,565,152</u>	<u>\$6,248,246</u>	<u>\$50,813,398</u>	<u>\$50,091,118</u>	<u>\$722,280</u>
Medicaid Cluster							
93.775	State Medicaid Fraud Control Units		\$938,660	\$—	\$938,660	\$938,660	\$—
93.777	State Survey and Certification of Health Care Providers and Suppliers		4,828,229	—	4,828,229	4,752,127	76,102
93.778	Medical Assistance Program		1,746,666,449	—	1,746,666,449	1,746,661,946	4,503
Total Medicaid Cluster			<u>\$1,752,433,338</u>	<u>\$—</u>	<u>\$1,752,433,338</u>	<u>\$1,752,352,733</u>	<u>\$80,605</u>
Foster Grandparent/Senior Companion Cluster							
94.011	Foster Grandparent Program		\$251,079	\$—	\$251,079	\$251,079	\$—
Total Foster Grandparent/Senior Companion Cluster			<u>\$251,079</u>	<u>\$—</u>	<u>\$251,079</u>	<u>\$251,079</u>	<u>\$—</u>
Disability Insurance/SSI Cluster							
96.001	Social Security Disability Insurance (DI)		\$24,383,039	\$—	\$24,383,039	\$24,383,039	\$—
Total Disability Insurance/SSI Cluster			<u>\$24,383,039</u>	<u>\$—</u>	<u>\$24,383,039</u>	<u>\$24,383,039</u>	<u>\$—</u>
Research and Development Cluster							
10.001	Agricultural Research Basic and Applied Research		\$1,821,413	\$—	\$1,821,413	\$1,641,853	\$179,560
10.025	Plant and Animal Disease, Pest Control, and Animal Care		130,239	—	130,239	130,239	—
10.200	Grants for Agricultural Research, Special Research Grants		3,047,205	710,538	3,757,743	2,948,301	809,442

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
10.202	Cooperative Forestry Research		755,850	—	755,850	755,850	—
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		2,743,608	7,651	2,751,259	2,751,259	—
10.206	Grants for Agricultural Research Competitive Research Grants		1,906,019	10,720	1,916,739	1,864,791	51,948
10.207	Animal Health and Disease Research		94,690	—	94,690	94,690	—
10.212	Small Business Innovation Research		6,393	—	6,393	—	6,393
10.215	Sustainable Agriculture Research and Education		31,087	—	31,087	—	31,087
10.217	Higher Education Challenge Grants		14,074	—	14,074	14,074	—
10.219	Biotechnology Risk Assessment Research		63,522	—	63,522	63,522	—
10.224	Fund for Rural America Research, Education, and Extension Activities		189,415	42,093	231,508	231,508	—
10.250	Agricultural and Rural Economic Research		69,053	—	69,053	65,187	3,866
10.302	Initiative for Future Agriculture and Food Systems		1,136,802	228,035	1,364,837	718,776	646,061
10.303	Integrated Programs		476,371	18,606	494,977	305,041	189,936
10.304	Homeland Security Agricultural		52,629	—	52,629	—	52,629
10.350	Technical Assistance to Cooperatives		6,434	—	6,434	6,434	—
10.450	Crop Insurance		40,413	—	40,413	40,413	—
10.500	Cooperative Extension Service		491,078	101,919	592,997	377,475	215,522
10.551	Food Stamps		1,151,096	3,948	1,155,044	—	1,155,044
10.558	Child and Adult Care Food Program		1,883	—	1,883	1,883	—
10.604	Technical Assistance for Specialty Crops Program		38,920	—	38,920	—	38,920
10.652	Forestry Research		1,374,031	22,926	1,396,957	1,372,188	24,769
10.664	Cooperative Forestry Assistance		4,150,298	47,749	4,198,047	4,098,603	99,444
10.665	Schools and Roads Grants to States		91,139	12,972	104,111	—	104,111
10.670	National Forest Dependent Rural Communities		234	—	234	234	—
10.672	Rural Development, Forestry, and Communities		25,109	—	25,109	25,109	—
10.773	Rural Business Opportunity Grants		6,835	—	6,835	—	6,835
10.901	Resource Conservation and Development		19,520	—	19,520	19,490	30
10.902	Soil and Water Conservation		156,139	—	156,139	156,139	—
10.912	Environmental Quality Incentives Program		39,596	—	39,596	39,596	—
10.961	Scientific Cooperation and Research		1,188,126	1,005,406	2,193,532	2,040,385	153,147
10.XXX	Other Department of Agriculture Programs						
		03-CR-11061202-044	4,072	—	4,072	4,072	—
		03-CR-11061820-055	130,100	—	130,100	130,100	—
		43-04TO-0-0009	535	—	535	535	—
		03-CR-11060600-647	23,880	—	23,880	23,880	—
		43-04TO-1-0006	2,490	—	2,490	2,490	—
10.XXX	Total Other Department of Agriculture Programs		161,077	—	161,077	161,077	—
11.300	Grants for Public Works and Economic Development Facilities		8,427	—	8,427	8,427	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
11.417	Sea Grant Support		1,784,881	116,562	1,901,443	1,889,902	11,541
11.419	Coastal Zone Management Administration Awards		44,483	—	44,483	—	44,483
11.420	Coastal Zone Management Estuarine Research Reserves		84,951	—	84,951	59,721	25,230
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		214,451	—	214,451	210,199	4,252
11.430	Undersea Research		127,986	—	127,986	11,921	116,065
11.431	Climate and Atmospheric Research		241,753	—	241,753	241,753	—
11.432	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes		1,002,147	—	1,002,147	1,002,147	—
11.433	Marine Fisheries Initiative		20,063	—	20,063	20,063	—
11.437	Pacific Fisheries Data Program		92,303	—	92,303	—	92,303
11.438	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program		283,368	—	283,368	—	283,368
11.439	Marine Mammal Data Program		109,048	—	109,048	109,048	—
11.440	Environmental Sciences, Applications, Data, and Education		383,923	—	383,923	383,923	—
11.452	Unallied Industry Projects		117,196	—	117,196	—	117,196
11.454	Unallied Management Projects		5,111	—	5,111	—	5,111
11.455	Cooperative Science and Education Program		2,365,771	—	2,365,771	2,222,750	143,021
11.460	Special Oceanic and Atmospheric Projects		69,884	—	69,884	69,884	—
11.462	Hydrologic Research		266	—	266	266	—
11.472	Unallied Science Program		121,230	—	121,230	85,589	35,641
11.473	Coastal Services Center		95,621	—	95,621	73,982	21,639
11.478	Center for Sponsored Coastal Ocean Research Coastal Ocean Program		1,687	—	1,687	—	1,687
11.552	Technology Opportunities Program		1,122	—	1,122	—	1,122
11.612	Advanced Technology Program		26,859	—	26,859	—	26,859
12.106	Flood Control Projects		2,000	—	2,000	2,000	—
12.107	Navigation Projects		100,782	—	100,782	100,782	—
12.110	Planning Assistance to States		46,806	—	46,806	46,806	—
12.114	Collaborative Research and Development		833,146	31,589	864,735	864,735	—
12.300	Basic and Applied Scientific Research		4,510,562	70,446	4,581,008	3,932,150	648,858
12.420	Military Medical Research and Development		2,038,012	—	2,038,012	1,891,393	146,619
12.431	Basic Scientific Research		850,343	3,799	854,142	431,734	422,408
12.800	Air Force Defense Research Sciences Program		1,273,264	80,453	1,353,717	456,025	897,692
12.901	Mathematical Sciences Grants Program		10,000	—	10,000	10,000	—
12.910	Research and Technology Development		1,606,628	139,711	1,746,339	1,485,326	261,013
12.XXX	Other Department of Defense Programs						
		DASW01-03-2-0002	785,997	—	785,997	785,997	—
		Not Available	21,537	—	21,537	21,537	—

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		DACW42-03-C-0036	21,776	—	21,776	21,776	—
12.XXX	Total Other Department of Defense Programs		<u>829,310</u>	<u>—</u>	<u>829,310</u>	<u>829,310</u>	<u>—</u>
14.866	Demolition and Revitalization of Severely Distressed Public Housing		64,111	—	64,111	—	64,111
15.039	Fish, Wildlife, and Parks Programs on Indian Lands		315	—	315	—	315
15.222	Cooperative Inspection Agreements with States and Tribes		7,081	—	7,081	7,081	—
15.224	Cultural Resource Management		30,722	—	30,722	26,335	4,387
15.225	Recreation Resource Management		571,389	—	571,389	548,306	23,083
15.504	Water Reclamation and Reuse Program		1,081	—	1,081	1,081	—
15.605	Sport Fish Restoration		21,674	—	21,674	—	21,674
15.608	Fish and Wildlife Management Assistance		1,012,492	8,000	1,020,492	254,082	766,410
15.611	Wildlife Restoration		26,658	—	26,658	—	26,658
15.615	Cooperative Endangered Species Conservation Fund		121,970	—	121,970	2,982	118,988
15.617	Wildlife Conservation and Appreciation		34,453	—	34,453	34,453	—
15.618	Administrative Grants Federal Aid in Sport Fish and Wildlife		1,203	—	1,203	—	1,203
15.634	State Wildlife Grants		134,699	4,332	139,031	—	139,031
15.805	Assistance to State Water Resources Research Institutes		111,045	—	111,045	111,045	—
15.807	Earthquake Hazards Reduction Program		302,697	—	302,697	226,819	75,878
15.808	U.S. Geological Survey Research and Data Acquisition		2,677,856	—	2,677,856	2,656,262	21,594
15.809	National Spatial Data Infrastructure Cooperative Agreements Program		1,396	—	1,396	1,396	—
15.811	Gap Analysis Program		209,421	—	209,421	209,421	—
15.904	Historic Preservation Fund Grants-In-Aid		(140)	—	(140)	—	(140)
15.910	National Natural Landmarks Program		4,391	—	4,391	4,391	—
15.912	National Historic Landmark		8,222	—	8,222	—	8,222
15.915	Technical Preservation Services		295,124	—	295,124	295,124	—
15.916	Outdoor Recreation Acquisition, Development and Planning		337,047	—	337,047	337,047	—
15.976	Migratory Bird Banding and Data Analysis		59,637	—	59,637	59,637	—
15.XXX	Other Department of the Interior Programs						
		HAP024129	4,237	—	4,237	4,237	—
		P1580020742	679	—	679	679	—
		38018	58,884	—	58,884	—	58,884
		1443-CA9000-99-003	6,113	—	6,113	6,113	—
		14160	59	—	59	—	59
		11450-2-J504	11,780	—	11,780	11,780	—
		101810M658	1,332	—	1,332	1,332	—
		01WRSA0310	<u>1,277</u>	<u>—</u>	<u>1,277</u>	<u>1,277</u>	<u>—</u>
15.XXX	Total Other Department of the Interior Programs		<u>84,361</u>	<u>—</u>	<u>84,361</u>	<u>25,418</u>	<u>58,943</u>
16.540	Juvenile Justice and Delinquency Prevention Allocation to States		2,574	—	2,574	—	2,574

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
16.541	Developing, Testing and Demonstrating Promising New Programs		39,841	—	39,841	—	39,841
16.542	Part D - Research, Evaluation, Technical Assistance and Training		39,841	—	39,841	—	39,841
16.579	Byrne Formula Grant Program		157,627	—	157,627	—	157,627
16.585	Drug Court Discretionary Grant Program		8,195	—	8,195	—	8,195
16.588	Violence Against Women Formula Grants		2,722	—	2,722	—	2,722
16.595	Executive Office for Weed and Seed		10,108	—	10,108	—	10,108
16.609	Community Prosecution and Project Safe Neighborhoods		55,301	—	55,301	51,570	3,731
16.727	Enforcing Underage Drinking Laws Program		26,504	2,000	28,504	—	28,504
17.502	Occupational Safety and Health Susan Harwood Training Grants		5,733	—	5,733	—	5,733
17.XXX	Other Department of Labor Programs						
		FP-766 PROJ 2202	3,501	—	3,501	—	3,501
		S-6010-PSU/FP1126	33,003	—	33,003	—	33,003
		NAWS PSU-072001	(683)	—	(683)	—	(683)
17.XXX	Total Other Department of Labor Programs		<u>35,821</u>	<u>—</u>	<u>35,821</u>	<u>—</u>	<u>35,821</u>
19.401	Educational Exchange-University Lecturers (Professors) and Research Scholars		13,718	—	13,718	13,718	—
19.409	Creative Arts Grants		106,048	—	106,048	106,048	—
19.414	Cultural Exchange (Visual Arts)		36,427	—	36,427	36,427	—
19.421	Exchange English Language Fellow Program		154,983	—	154,983	—	154,983
19.424	Educational Partnerships Program		(24,260)	—	(24,260)	(24,260)	—
20.108	Aviation Research Grants		75,645	—	75,645	—	75,645
20.205	Highway Planning and Construction		1,496,009	8,792	1,504,801	38,803	1,465,998
20.215	Highway Training and Education		(192,714)	214,706	21,992	73	21,919
20.218	National Motor Carrier Safety		14,208	—	14,208	—	14,208
20.219	Recreational Trails Program		75,672	—	75,672	—	75,672
20.505	Transit Metropolitan Planning Grants		8,323	—	8,323	—	8,323
20.514	Transit Planning and Research		42,126	—	42,126	—	42,126
20.515	State Planning and Research		891,634	—	891,634	—	891,634
20.600	State and Community Highway Safety		151,283	—	151,283	—	151,283
20.701	University Transportation Centers Program		131,763	—	131,763	—	131,763
20.XXX	Other Department of Transportation Programs						
		DTCG32-02-C-R00005	23,232	173,957	197,189	197,189	—
		0000306706WC	35,673	—	35,673	—	35,673
20.XXX	Total Other Department of Transportation Programs		<u>58,905</u>	<u>173,957</u>	<u>232,862</u>	<u>197,189</u>	<u>35,673</u>
43.001	Aerospace Education Services Program		1,044,361	1,377,127	2,421,488	2,393,418	28,070
43.002	Technology Transfer		4,321,052	73,558	4,394,610	3,394,414	1,000,196
43.XXX	Other NASA programs						

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		#PSU 03-1	21,784	—	21,784	—	21,784
		NCC 2-1381	156,462	—	156,462	156,462	—
		NAG5-13503	60,595	—	60,595	60,595	—
		NAG5-13044	28,028	—	28,028	28,028	—
		NAG5-12856	43,207	—	43,207	43,207	—
		NAG5-12736	93,407	—	93,407	93,407	—
		NAG5-11309	30	—	30	30	—
		NAG3-2741	141,834	—	141,834	141,834	—
		213011-NASA011	31,713	—	31,713	—	31,713
		#PSU 02-01	7,989	—	7,989	—	7,989
		#PSU 02-02	22,522	—	22,522	—	22,522
		Not Available	28,145	—	28,145	4,889	23,256
43.XXX	Total Other NASA programs		635,716	—	635,716	528,452	107,264
45.149	Promotion of the Humanities Division of Preservation and Access		104,708	62,165	166,873	166,873	—
45.160	Promotion of the Humanities Fellowships and Stipends		5,719	—	5,719	5,719	—
45.161	Promotion of the Humanities Research		1,099	—	1,099	—	1,099
45.301	Museum for America Grants		43,179	—	43,179	43,179	—
47.041	Engineering Grants		2,827,834	7,433	2,835,267	2,459,119	376,148
47.049	Mathematical and Physical Sciences		5,420,119	47,484	5,467,603	5,475,350	(7,747)
47.050	Geosciences		16,080,114	164,092	16,244,206	15,820,882	423,324
47.070	Computer and Information Science and Engineering		3,852,050	549,066	4,401,116	3,808,955	592,161
47.074	Biological Sciences		8,749,170	1,129,681	9,878,851	8,931,292	947,559
47.075	Social, Behavioral, and Economic Sciences		1,618,974	49,090	1,668,064	1,610,807	57,257
47.076	Education and Human Resources		1,796,742	233,706	2,030,448	1,440,951	589,497
47.078	Polar Programs		1,311,968	14,935	1,326,903	1,254,051	72,852
58.001	Securities Investigation of Complaints and SEC Information		186,566	—	186,566	186,566	—
66.460	Nonpoint Source Implementation Grants		373,904	—	373,904	—	373,904
66.461	Wetland Program Grants		4,804	—	4,804	—	4,804
66.463	Water Quality Cooperative Agreements		100,581	—	100,581	—	100,581
66.500	Environmental Protection-Consolidated Research		2,359,940	305,836	2,665,776	2,386,965	278,811
66.509	Science to Achieve Results (STAR) Program		207,859	178,057	385,916	364,721	21,195
66.511	Office of Research and Development Consolidated Research		17,076	—	17,076	17,076	—
66.606	Surveys, Studies, Investigations and Special Purpose Grants		114,744	—	114,744	15,723	99,021
66.607	Training and Fellowships for the Environmental Protection Agency		282,320	—	282,320	282,320	—
66.714	Pesticide Environmental Stewardship Regional Grants		62,815	—	62,815	10,499	52,316
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements		19,474	—	19,474	—	19,474

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
77.001	Radiation Control - Training Assistance and Advisory Counseling		396,222	—	396,222	305,221	91,001
81.004	University-Laboratory Cooperative Program		(16,222)	—	(16,222)	(16,222)	—
81.036	Inventions and Innovations		74,693	—	74,693	—	74,693
81.049	Office of Science Financial Assistance Program		6,052,554	618,517	6,671,071	5,991,539	679,532
81.064	Office of Scientific and Technical Information		134,784	—	134,784	—	134,784
81.086	Conservation Research and Development		904,651	51,978	956,629	721,998	234,631
81.087	Renewable Energy Research and Development		475,811	—	475,811	90,333	385,478
81.089	Fossil Energy Research and Development		271,897	—	271,897	—	271,897
81.114	University Reactor Infrastructure and Education Support		906,009	607,508	1,513,517	1,513,517	—
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		2,543	—	2,543	—	2,543
81.XXX	Other Department of Energy Programs						
	B524838		17,073	—	17,073	—	17,073
	PL00108922SJ		53,867	—	53,867	—	53,867
	84599-001-04- 4V		43,988	—	43,988	—	43,988
	6624		1	—	1	—	1
	407488-A-N3		15,570	—	15,570	—	15,570
	22485		17,000	—	17,000	—	17,000
	17283		6,851	—	6,851	6,851	—
	00012839 00001		43,187	—	43,187	43,187	—
	Not Available		7,230	—	7,230	7	7,223
81.XXX	Total Other Department of Energy Programs		<u>204,767</u>	<u>—</u>	<u>204,767</u>	<u>50,045</u>	<u>154,722</u>
84.002	Adult Education State Grant Program		460,019	—	460,019	—	460,019
84.019	Overseas Faculty Research Abroad		21,025	—	21,025	21,025	—
84.023	Special Education Innovation and Development		78,300	—	78,300	78,300	—
84.027	Special Education Grants to States		133,915	—	133,915	—	133,915
84.042	TRIO Student Support Services		28,550	—	28,550	28,550	—
84.051	Vocational Education National Programs		226,846	—	226,846	—	226,846
84.116	Fund for the Improvement of Postsecondary Education		118,438	44,375	162,813	118,472	44,341
84.133	National Institute on Disability and Rehabilitation Research		1,704,552	74,695	1,779,247	1,662,935	116,312
84.173	Special Education Preschool Grants		2,551	—	2,551	—	2,551
84.181	Special Education Grants for Infants and Families with Disabilities		10,180	—	10,180	—	10,180
84.215	Fund for the Improvement of Education		7,593	17,220	24,813	24,813	—
84.234	Projects with Industry		52,974	—	52,974	52,974	—
84.243	Tech-Prep Education		5,138	—	5,138	—	5,138
84.305	Education Research, Development and Dissemination		223,018	—	223,018	193,425	29,593
84.309	National Institute on Postsecondary Education,		795,815	—	795,815	—	795,815

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
	Libraries, and Lifelong Learning						
84.314	Even Start Statewide Family Literacy Program		44,772	—	44,772	—	44,772
84.323	Special Education State Program Improvement Grants for Children with Disabilities		103,425	—	103,425	—	103,425
84.324	Special Education Research and Innovation to Improve Services and Results for Children with Disabilities		3,511,310	1,085,918	4,597,228	4,219,501	377,727
84.325	Special Education Personnel Preparation to Improve Services and Results for Children with Disabilities		616,123	—	616,123	616,123	—
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		1,742,838	1,223,259	2,966,097	2,915,864	50,233
84.327	Special Education Technology and Media Services for Individuals with Disabilities		202,700	—	202,700	202,700	—
84.336	Teacher Quality Enhancement Grants		247,768	167,041	414,809	414,809	—
84.342	Preparing Tomorrow's Teachers to Use Technology		231,420	—	231,420	129,792	101,628
84.349	Early Childhood Educator Professional Development		609,292	49,150	658,442	591,944	66,498
84.363	School Leadership		22,312	—	22,312	—	22,312
84.366	Mathematics and Science Partnerships		17,646	—	17,646	—	17,646
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals		66,815	—	66,815	—	66,815
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services		6,290	—	6,290	—	6,290
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		301,313	—	301,313	—	301,313
93.113	Biological Response to Environmental Health Hazards		1,701,428	—	1,701,428	1,564,098	137,330
93.114	Applied Toxicological Research and Testing		196,562	—	196,562	196,562	—
93.121	Oral Diseases and Disorders Research		321,853	—	321,853	321,853	—
93.136	Injury Prevention and Control Research and State and Community Based Programs		307,798	14,045	321,843	305,434	16,409
93.143	NIEHS Superfund Hazardous Substances - Basic Research and Education		299,976	—	299,976	—	299,976
93.172	Human Genome Research		2,187,044	—	2,187,044	2,187,044	—
93.173	Research Related to Deafness and Communication Disorders		1,938,503	20,601	1,959,104	1,852,285	106,819
93.213	Research and Training in Complementary and Alternative Medicine		1,281,095	—	1,281,095	1,109,013	172,082
93.217	Family Planning Services		15,261	—	15,261	—	15,261
93.226	Research on Healthcare Costs, Quality and Outcomes		372,260	6,000	378,260	378,260	—
93.230	Consolidated Knowledge Development and Application (KD&A) Program		356,498	—	356,498	(799)	357,297
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement		260	—	260	—	260

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.239	Policy Research and Evaluation Grants		149,500	—	149,500	—	149,500
93.242	Mental Health Research Grants		1,509,514	312,100	1,821,614	1,770,083	51,531
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance		176,783	—	176,783	—	176,783
93.263	Occupational Safety and Health Training Grants		57,137	—	57,137	57,137	—
93.273	Alcohol Research Programs		143,209	—	143,209	87,585	55,624
93.279	Drug Abuse Research Programs		2,627,654	1,169,729	3,797,383	3,797,383	—
93.281	Mental Health Research Career/Scientist Development Awards		96,192	—	96,192	96,192	—
93.282	Mental Health National Research Service Awards for Research Training		202,580	—	202,580	202,580	—
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance		141,044	—	141,044	(9)	141,053
93.286	Discovery and Applied Research		206,184	—	206,184	206,184	—
93.333	Clinical Research		121,419	31,482	152,901	—	152,901
93.361	Nursing Research		62,533	—	62,533	62,533	—
93.389	National Center for Research Resources		2,256,620	—	2,256,620	2,125,183	131,437
93.393	Cancer Cause and Prevention Research		853,801	—	853,801	852,771	1,030
93.395	Cancer Treatment Research		539,365	—	539,365	142,071	397,294
93.396	Cancer Biology Research		18,223	—	18,223	18,223	—
93.399	Cancer Control		1,258,540	—	1,258,540	1,258,540	—
93.575	Child Care and Development Block Grant		194,697	—	194,697	—	194,697
93.600	Head Start		455,328	—	455,328	455,328	—
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		370,232	—	370,232	370,232	—
93.643	Children's Justice Grants to States		38,409	—	38,409	—	38,409
93.645	Child Welfare Services State Grants		618,746	—	618,746	—	618,746
93.658	Foster Care Title IV-E		232,087	—	232,087	—	232,087
93.670	Child Abuse and Neglect Discretionary Activities		39,079	—	39,079	14,240	24,839
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities		6,926	—	6,926	—	6,926
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		15,095	—	15,095	—	15,095
93.837	Heart and Vascular Diseases Research		1,373,642	—	1,373,642	859,846	513,796
93.838	Lung Diseases Research		315,662	—	315,662	227,631	88,031
93.846	Arthritis, Musculoskeletal and Skin Diseases Research		886,865	59,875	946,740	946,740	—
93.847	Diabetes, Endocrinology and Metabolism Research		812,506	—	812,506	804,189	8,317
93.848	Digestive Diseases and Nutrition Research		283,845	14,201	298,046	298,046	—
93.853	Extramural Research Programs in the Neurosciences and		1,806,981	—	1,806,981	1,776,504	30,477

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, 2004 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
	Neurological Disorders						
93.856	Microbiology and Infectious Diseases Research		2,316,073	316,978	2,633,051	2,453,285	179,766
93.859	Pharmacology, Physiology, and Biological Chemistry Research		8,236,067	87,270	8,323,337	8,100,653	222,684
93.865	Child Health and Human Development Extramural Research		3,449,670	58,881	3,508,551	3,371,385	137,166
93.866	Aging Research		426,968	—	426,968	388,271	38,697
93.867	Vision Research		191,997	—	191,997	183,798	8,199
93.891	Alcohol Research Center Grants		86,283	—	86,283	—	86,283
93.894	Resource and Manpower Development in the Environmental Health Services		1,916,745	4,693	1,921,438	1,829,512	91,926
93.933	Demonstration Projects for Indian Health		37,052	—	37,052	—	37,052
93.934	Fogarty International Research Collaboration Award		78,370	—	78,370	78,370	—
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		1,504	—	1,504	—	1,504
93.945	Assistance Program for Chronic Disease Prevention and Control		200,351	—	200,351	—	200,351
93.955	Health and Safety Programs for Construction Work		1,301	—	1,301	—	1,301
93.956	Agricultural Health and Safety Programs		10,702	—	10,702	—	10,702
93.957	Occupational Health and Safety Surveillance		7,436	—	7,436	—	7,436
93.959	Block Grants for Prevention and Treatment of Substance Abuse		(12,806)	—	(12,806)	—	(12,806)
93.969	Geriatric Education Centers		40,711	—	40,711	—	40,711
93.989	International Research and Research Training		110,517	—	110,517	11,884	98,633
93.XXX	Other Department of Health and Human Services Programs						
		01T06128301D	(123)	—	(123)	(123)	—
		158224	14,726	—	14,726	—	14,726
		263-MQ-410902	832	—	832	832	—
		7277.03	7,301	—	7,301	—	7,301
		Not Available	28,097	—	28,097	—	28,097
93.XXX	Total Other Department of Health and Human Services Programs		50,833	—	50,833	709	50,124
Total Research and Development Cluster			\$166,868,869	\$13,294,656	\$180,163,525	\$152,870,220	\$27,293,305
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$5,282,419,373	\$882,908,705	\$6,165,328,078	\$6,120,251,326	\$45,076,752

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, 2004**

Note 1. Basis of Presentation

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

Note 2. Reporting Entity

The financial statements of the State of Oregon include all fund types for all agencies, boards, commissions, authorities, courts, and colleges and universities that are legally part of the State's primary government and its component units. The Oregon Health and Science University (OHSU) is a legally separate component unit. For the year ended June 30, 2004, OHSU has issued separate financial statements and has obtained a separate single audit as outlined in Subpart E.500 of OMB Circular A-133. Therefore, the accompanying schedule does not include the federal grant activity of OHSU. 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 the following non-cash assistance programs. All values are the fair market value at the time of receipt.

CFDA Number	Title	Type of Assistance	Value
10.550	Food Donation	Commodities	\$ 7,357,785
10.565	Commodity Supplemental Food Program	Commodities	173,503
10.567	Food Distribution Program on Indian Reservations	Commodities	34,063
10.569	Emergency Food Assistance Program	Commodities	6,407,381
39.003	Donation of Federal Surplus Personal Property	Donated surplus property	4,334,578
93.268	Immunization Grants	Vaccines	5,369,440
	Total		<u>\$ 23,676,750</u>

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Note 4. Loans and Loan Guarantees

Loans outstanding and new loans made during the year ended June 30, 2004 are as follows:

CFDA Number	Title	Outstanding Balance as of June 30, 2004	New Loans Made During the Year Ended June 30, 2004
11.307	Economic Adjustment Assistance	\$ 5,655,661	\$ 758,210
14.239	HOME Investment Partnerships Program	2,404,642	939,988
66.458	Capitalization Grants for State Revolving Funds	76,185,481	17,210,895
84.032	Federal Family Education Loans	805,832,534	181,909,157
84.038	Federal Perkins Loan Program-Federal Capital Contributions	69,815,857	15,496,877
	Total	<u>\$ 959,894,175</u>	<u>\$ 216,315,127</u>

Note 5. Unemployment Insurance

State unemployment tax revenues and the government contributions in lieu of State taxes are deposited to the Unemployment Trust Fund in the U.S. Treasury. These funds may only be used to pay benefits under the federally approved State unemployment law. Of the \$1,172,573,474 reported as expenditures for the Unemployment Insurance program (CFDA 17.225), \$851,912,665 represented expenditures of state funds held in the Unemployment Trust Fund.

Note 6. Pass-Through Awards

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

CFDA Number	Organization	Amount	ID Number
10.001	University of California	\$18,000	93-004-ETX
10.001	University of California	8,000	03-001 ETX/ 03-00890V
10.001	University of California/Davis	8,328	010953-OR
10.001	University of California/Davis	83	010953-OR
10.001	University of Connecticut	20,458	FRS #521163
10.001	Washington State University	4,068	G001304
10.200	North Carolina State University	658	2001-1515-01
10.200	South Dakota State University	13,076	SDSU 483933
10.200	University of Alaska	34,992	PO P0234948
10.200	University of California	16,107	SA6582
10.200	University of California	4,089	SA6595
10.200	University of California	11,019	SA6754
10.200	University of California/Davis	7,500	02-00499
10.200	University of Idaho	78,707	PO P0011153
10.200	University of Idaho	41,643	PO P0011153
10.200	University of Idaho	29,081	PO P0011153
10.200	University of Idaho	20,782	PO P0011153
10.200	University of Idaho	52,501	PO P0011153
10.200	University of Idaho	5,087	PO P0011604 / BJKC04-OSU
10.200	University of Washington	718	897526

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
10.200	University of Washington	9,512	236977
10.200	University of Washington	10,362	422638
10.200	University of Washington	505	494874
10.200	University of Washington	17,792	567762
10.200	University of Washington	12,544	567944
10.200	University of Washington	6,913	567974
10.200	Utah State University	29,817	C023010
10.200	Utah State University	29,224	C025890
10.200	Utah State University	21,637	C025890
10.200	Utah State University	24	C025890
10.200	Utah State University	11,378	C025890
10.200	Washington State University	5,538	G000961
10.200	Washington State University	5,225	G000960
10.200	Washington State University	14,209	G001035
10.200	Washington State University	19,081	G001029
10.200	Washington State University	15,892	G001031
10.200	Washington State University	1,759	G001030
10.200	Washington State University	254	G001037
10.200	Washington State University	3,108	G001225
10.200	Washington State University	6,871	G001151
10.200	Washington State University	2,748	G001152
10.200	Washington State University	614	G001213
10.200	Washington State University	1,291	G001224
10.200	Washington State University	26,370	G001218
10.200	Washington State University	6,453	G001221
10.200	Washington State University	12,664	G001226
10.200	Washington State University	16,538	G001222
10.200	Washington State University	16,053	G001279
10.200	Washington State University	20,513	G001070
10.200	Washington State University	3,397	G001316
10.200	Washington State University	1,755	G001336
10.200	Washington State University	29,999	G001337
10.200	Washington State University	1,359	G001339
10.200	Washington State University	4,474	G001339
10.200	Washington State University	3,058	G001339
10.200	Washington State University	30,151	G001340
10.200	Washington State University	4,191	G001341
10.200	Washington State University	17,134	G001341
10.200	Washington State University	4,983	G001365
10.200	Washington State University	1,535	G001368
10.200	Washington State University	20,456	G001344
10.200	Washington State University	25,895	G001338
10.200	Washington State University	8,053	G001396
10.200	Washington State University	10,796	G001395
10.200	Washington State University	3,000	11672_G001505_0

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
10.200	Washington State University	5,814	101766_G001567_0
10.200	Washington State University	1,619	101766_G001571_0
10.200	Washington State University	19,131	101766_G001572_0
10.200	Washington State University	1,000	101736_G001586_0
10.200	Washington State University	8,174	101736_G001586_0
10.200	Washington State University	1,700	101736_G001583_0
10.200	Washington State University	3,385	101736_G001583_0
10.200	Utah State University	18,124	C023682
10.206	Auburn University	13,934	ACES/AYDP- YD-15-04/05
10.206	Montana State University	427	GC177-02-Z2329
10.206	Montana State University	2,207	GC177-02-Z2329
10.206	Washington State University	17,118	G001007
10.212	International Pollination Systems, U.S.A.	11,585	2002-08
10.215	Utah State University	49,287	C023084
10.215	University of California	2,488	SA6397
10.250	Syracuse University	968	353-7875-S01
10.302	University of California/Davis	82,951	K-002316-01
10.302	University of California/Davis	93,888	00RA2321-OSU
10.302	University of Florida	5,098	SC-010376-1-2
10.302	University of Florida	29,806	SC-010376-1-2
10.302	University of Idaho	39,956	BLK745OSU/PO P0010038
10.302	University of Idaho	77,468	BLK745OSU/PO P0010038
10.302	University of Nevada — Reno	50,625	PO 12GC0000061
10.302	University of Nevada — Reno	24,230	PO 12GC0000061
10.302	University of Nevada — Reno	29,758	PO 12GC0000061
10.302	University of Wisconsin - Madison	45,395	P572235
10.302	Washington State University	54,702	G001081
10.302	Washington State University	43,246	G001081
10.302	Washington State University	51,947	G001129
10.302	Washington State University	41,366	G001202
10.302	Washington State University	45,699	G001202
10.303	Cornell University	13,207	40534-7099
10.303	University of California	16,664	SA3261 / 1-0000442624
10.303	University of California	19,542	SA3261 / 1-0000442624
10.303	University of California/Davis	2,372	00RA2416-OR
10.303	University of California/Davis	115,369	00RA2416-OR
10.303	University of California/Davis	23,202	00RA2416-OR
10.303	University of Idaho	99,979	BJK748OSU
10.304	University of California/Davis	25,805	K007797-11
10.500	Michigan State University	1,882	61-4001J
10.500	Michigan State University	9,123	61-4055G
10.500	National 4-H Council	11,375	Not Available
10.500	University of Idaho	6,255	BJKC96-OSU
10.500	Utah State University	48,680	C029352
10.500	Utah State University	2,000	C028831
10.500	Utah State University	17,433	C029569

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
10.500	Utah State University	54,026	C030356
10.500	Utah State University	2,000	C0313372
10.500	Utah State University	7,000	C029755
10.500	Utah State University	15,956	C031633
10.500	Washington State University	11,564	G001178
10.500	Washington State University	16,423	G001178
10.604	Northwest Horticultural Council	24,304	TASC 03010
10.652	Pinchot Institute for Conservation	22,821	14-22-02 AMEND. 1
10.652	West Virginia University Research Corporation	6,194	01-539-OSU
10.652	Watershed Research and Training Center	11,675	Not Available
10.664	Eastern Sierra Institute for Collaborative Education	24,605	Not Available
10.664	National Fish and Wildlife Foundation	11,284	2002-0260-000
10.665	Jackson County Board of Commissioners	714	Not Available
10.665	Jackson County Board of Commissioners	83,732	SD0007
10.665	Jackson County Board of Commissioners	1,759	SD0056
10.773	Burns-Paiute Tribe	18,370	Not Available
10.960	Council of State Governments	98,675	Not Available
10.961	American Council on Education	32,953	4710
10.961	Michigan State University	11,783	61-3121
10.961	Michigan State University	76,276	61-3122
10.961	American Council on Education	27,544	Not Available
10.961	American Council on Education	62,976	Not Available
11.417	Pacific Shellfish Institute	17,966	Not Available
11.417	Pacific Shellfish Institute	8,418	Not Available
11.417	Pacific States Marine Fisheries Commission	944	13606
11.417	University of Alaska	59,196	PO FP102303
11.419	Texas Engineering Experiment Station	7,660	67061
11.419	Washington Emergency Management Division	12,753	E04-001
11.427	University of Washington	1,490	793883
11.430	Caribbean Marine Research Center	12,396	CMRC-01-NRMH-04-03C
11.430	University of Alaska	109,993	PO FP400736
11.430	University of Alaska	34,590	PO FP400751
11.430	University of North Carolina at Wilmington	14,820	SEGM-2002-12A
11.430	University of North Carolina at Wilmington	28,947	SEGM-2003-09B
11.432	University of Miami	5,286	668953 / P745916-CO-01
11.437	Pacific States Marine Fisheries Commission	40,383	38054
11.437	Pacific States Marine Fisheries Commission	8,062	38055
11.437	Pacific States Marine Fisheries Commission	14,995	38055
11.438	Hood River Soil and Water Conservation District	7,147	Not Available
11.454	Pacific States Marine Fisheries Commission	5,111	33270
11.455	North Pacific Marine Science Foundation	6,792	NA96FX0124
11.455	North Pacific Marine Science Foundation	15,561	NA16FX2629-08
11.455	North Pacific Marine Science Foundation	6,198	NA16FX2629-09
11.455	North Pacific Marine Science Foundation	8,226	NA16FX2629-37
11.455	North Pacific Marine Science Foundation	17,740	NA16FX2629-37
11.455	Oregon Health and Science University	55,487	GCLMR5004B

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
11.472	North Pacific Research Board	6,460	R0301
11.472	North Pacific Research Board	24,728	R0301
11.473	University of Washington	15,000	767956
11.478	Louisiana State University	2,714	R126388
11.552	Lane Council of Governments	1,122	Not Available
11.612	Amtek International	26,015	2001-7
11.612	Amtek International	13,737	2001-7
12.300	Arete Associates	21,000	S-43638.01.5200
12.300	Chinook Power Technologies, LLC	33,405	Not Available
12.300	Chinook Power Technologies, LLC	34,142	Not Available
12.300	The Davis-Nelson Company	(6,666)	Not Available
12.300	University of Delaware	145,516	753 / B430150
12.300	University of Delaware	112,814	740 / 506960
12.300	University of Minnesota	27,895	E5366250201
12.300	University of Rhode Island	110,164	031401/535496
12.300	University of Rhode Island	90,372	032002/535495
12.300	University of Washington	41,224	615554
12.420	Providence Health System of Oregon	54,573	OMLC-02-01
12.420	Providence Health System of Oregon	7,903	Not Available
12.420	Providence Health System of Oregon	57,542	OMLC-03-02
12.420	Providence Health System of Oregon	24,625	OMLC-02-10
12.431	Academy of Applied Science	1,243	SUBGRANT 03-045
12.431	Academy of Applied Science	1,243	SUBGRANT 03-046
12.431	Georgia Institute of Technology	469,403	E-18-677-G3
12.431	Sam Houston State University	14,963	S02-9382-1
12.431	Academy of Applied Science	12,262	DAAG55 98 1 0468
12.800	Cytec Corporation	2,610	CYG-02-0001
12.800	Cytec Corporation	24,769	CYG-02-0001
12.800	Cytec Corporation	20,827	CYG-02-0001
12.800	Cytec Corporation	5,183	CYG-02-0001
12.800	Cytec Corporation	18,232	GS35F0529J
12.800	Cytec Corporation	108,982	GS35F0529J
12.800	Cytec Corporation	12,055	CYG-02-0001-A
12.800	Cytec Corporation	138,999	CYG-02-0001-A
12.800	Cytec Corporation	59,007	CYG-02-0001-A
12.800	Cytec Corporation	30,000	CYG-02-0001-A
12.800	Orincon Corporation	47,431	S11901
12.800	Stanford University	153,067	PY-1440
12.800	Universal Engerny Systems, Inc.	54	Not Available
12.800	Washington State University	116,710	G001383
12.800	Washington State University	74,141	G001383
12.910	California Institute of Technology	69,991	1036234
12.910	Starzent, Inc. — Defense Advanced Research	1,418	PO 1211
12.910	United Defense	71,297	SCJ00165
14.218	City of Portland/HUD	3,128	34404
14.218	City of Portland/HUD	100,292	35256

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
14.866	Housing Authority of Portland	64,111	Not Available
15.020	Columbia River Inter-Tribal Fish Commission	20,414	Not Available
15.225	Native Seed Network	23,084	Not Available
15.608	Agricultural Research Foundation (OSU)	34,211	C33-0004
15.608	California Dept of Fish and Game	3,345	P0310728
15.608	Ducks Unlimited	3,094	TN-0056-002
15.608	Ducks Unlimited	61,335	US-CA-358-1
15.608	Montana State University	935	GC128-02-Z2708
15.608	Montana State University	19,001	GC135-02-Z2708
15.608	Montana State University	29,558	GC283-03-Z3252
15.608	National Fish and Wildlife Foundation	96,750	2003-117-002
15.608	Pacific States Marine Fisheries Commission	1,975	38018
15.608	Pacific States Marine Fisheries Commission	7,372	11749
15.608	Texas A&M Research Foundation	441,807	S020058
15.615	Washington Department of Fish and Wildlife	30,000	33030279 / 04-1241
15.618	Pacific States Marine Fisheries Commission	14,554	21610
15.807	Southern California Earthquake Center	14,672	PO 076548 #1
15.807	Southern California Earthquake Center	33,110	PO 076548 #1
15.807	University of Southern California	16,495	PO 075036
15.807	University of Southern California	3,999	PO 075036
15.904	Southwest Parks and Monuments Association	1,868	38020
16.540	Juvenile Rights Project, Inc.	2,574	Not Available
16.540	Oregon Criminal Justice Commission	11,414	FG2003-57
16.541	George Washington University	205,114	97-S22 MOD. 12
16.542	Florida Atlantic University	13,750	ORE 18
16.579	Catholic Charities	15,212	Not Available
16.579	Clackamas County DA Office	18,369	Not Available
16.579	Contact Inc. — Youth Arts and Cultural Development	30,787	Not Available
16.579	Juvenile Rights Project, Inc.	21,315	Not Available
16.579	Multnomah County	19,000	46-4133
16.579	Umatilla County Oregon	12,033	Not Available
16.580	Lane County Legal Aid Inc.	14,020	Not Available
16.580	Lane County Legal Aid Inc.	26,993	Not Available
16.585	Clark County Washington	8,195	2003-SOC-02
16.585	County of Clackamas	145,868	OJD Contract 05i0201-03
16.588	Multnomah County	2,722	4600000583
16.595	Rockwood Weed and Seed	1,833	Not Available
16.595	Southeast Uplift Neighborhood Program	8,275	Not Available
16.609	Clackamas County DA Office	6,248	Not Available
17.502	Center to Protect Worker's Rights	9,973	01-2-PS
19.420	National Association of Foreign Student Advisors	5,000	Not Available
19.421	American-Mideast Educational and Training Services	(3,997)	Not Available
19.421	American-Mideast Educational and Training Services	79,568	Not Available
19.421	American-Mideast Educational and Training Services	14,873	Not Available
19.421	American-Mideast Educational and Training Services	66,138	Not Available
19.421	American-Mideast Educational and Training Services	23,658	Not Available

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
20.108	Research Integrations, Inc.	61,958	0005-01
20.205	Montana State University	11,174	GC090-02-Z0533
20.205	Multnomah County	19,809	4600004689
20.505	Kittelson and Associates	8,323	Not Available
20.505	Metropolitan Service District	2,000	925328
20.514	National Academy of Sciences	13,700	TRANSIT-38
20.515	National Academy of Sciences	22,571	HR 25-09-(01)
20.515	National Academy of Sciences	213,264	HR 25-20(01)
20.701	San Jose State University Foundation	30,728	22-1100-2941-2203
20.701	University of Alabama	24,916	Not Available
20.701	University of Washington	5,839	922927
20.701	University of Washington	40,750	922927
20.701	University of Washington	18,439	922910 MOD10
20.701	University of Washington	1,322	922910 MOD #5 and 7
20.701	University of Washington	7,512	922910 MOD #10
20.701	University of Washington	9,095	922910 MOD 10
20.701	University of Wisconsin-Madison	3,334	K012789
20.701	University of Washington	12,166	922910 MOD #10
20.701	University of Washington	19,799	922927
43.001	University of Washington	25,174	478805
43.002	Battelle Memorial Institute	52,752	7174
43.002	Battelle Memorial Institute	108,995	7174
43.002	Jet Propulsion Lab/CA Institute of Technology	167,911	1206714
43.002	Jet Propulsion Lab/CA Institute of Technology	255,135	1206715
43.002	Jet Propulsion Lab/CA Institute of Technology	94,988	1206715
43.002	Jet Propulsion Lab/CA Institute of Technology	119,044	1217722
43.002	Jet Propulsion Lab/CA Institute of Technology	108,839	1234917
43.002	Jet Propulsion Lab/CA Institute of Technology	10,611	1249878
43.002	The Woods Hole Research Center	43,563	Not Available
43.002	Umpqua Research Company	46,090	AG181-2
43.002	Universities Space Research Association	132,776	07600-85
43.002	University of California Santa Barbara	15,608	KK0130
43.002	University of Maryland	7,568	CG 0327
43.002	University of Rhode Island	17,384	022001/535816
45.024	Western States Arts Federation (WESTAF)	2,125	7306
45.129	Oregon Council Humanities	2,400	39510
47.041	Consortium of Universities for Research in Earthquake Engineering	130,149	Subcontract No. 1
47.041	Cornell University	47,568	39915-6703
47.041	Drexel University	31,023	Not Available
47.041	Droplet Measurement Technologies, Inc.	24,437	322426 NSF2
47.041	Earthquake Engineering Research Institute	55,138	60-62
47.041	Michigan Technology University	7,286	030747Z1 / PO P0057923
47.041	Montana State University	1,080	612141
47.041	University of Oklahoma	15,602	2004-06
47.041	Washington State University	1,464	G000843
47.041	Washington State University	19,338	G000843

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
47.041	Michigan State University	25,531	622141
47.049	California Institute of Technology	45,965	1023432
47.049	American Physical Society	96,428	PHY-0108787
47.050	Bermuda Biological Station for Research Inc	86,352	BBSR-100-5255-x-032215-x
47.050	Ohio State University	88,256	RF #739204/PO #848490
47.050	Ohio State University	42,143	RF #739204/PO #848490
47.050	Oregon Coast Community College	10,005	2003-03
47.050	Texas A&M Research Foundation	550	F001352, F001448
47.050	Texas A&M Research Foundation	20,733	F001352, F001448
47.050	Texas A&M Research Foundation	1,425	F001353, F001449,F001510
47.050	Texas A&M Research Foundation	1,800	F1529,1530,1617,1624,1655,1701
47.050	Texas A&M Research Foundation	64,464	F1529,1530,1617,1624,1655,1701
47.050	Texas A&M Research Foundation	(3,000)	F001555,1663,1731
47.050	Texas A&M Research Foundation	3,000	F001555,1663,1731
47.050	Texas A&M Research Foundation	3,000	F001557,1665,1669
47.050	Texas A&M Research Foundation	10,988	F001756,1830,1875
47.050	Texas A&M Research Foundation	36,073	F001750,1829,1876
47.050	University of California, Irvine	47,855	L00OCE0085607
47.050	University of Hawaii	12,343	PO Z565333
47.050	University of Montana	15,211	PG-5616-01
47.050	Joint Oceanographic Institute Inc	54,098	PO J030016
47.070	Computing Research Association	19,007	Not Available
47.070	Massachusetts Institute of Technology	42,910	5710001197
47.070	University of California/San Diego	293,083	PO 10152761
47.070	University of California/San Diego	77,981	PO 10152761
47.070	University of Illinois	53,914	818
47.070	University of Illinois, Urbana-Champaign	77,379	02-189
47.074	Arizona State University	60,278	PO SC 19103M00386 / 03-054
47.074	Colorado State University	45,377	G-3596-2 , P301687
47.074	Louisiana State University	18,659	PO R140649
47.074	Michigan State University	120,527	612135OREGONSU
47.074	Michigan State University	144,649	612135OREGONSU
47.074	Montana State University	56,996	GC205-03-Z2903
47.074	North Dakota State University	96,591	4971-03
47.074	Northern Illinois University	13,585	400032379
47.074	University of New Jersey	117,571	PO S116810 / 1464
47.074	The Marie Selby Botanical Gardens	(419)	Not Available
47.074	The Marie Selby Botanical Gardens	(734)	Not Available
47.074	University of California Berkeley	139,571	SA3538-22347PG / PO 537485
47.074	University of California Berkeley	5,725	SA3538-22347PG / PO 537485
47.074	University of Georgia	4,616	RR551-080/2401954
47.074	University of Miami	36,174	667380
47.074	University of New Mexico	27,539	3-22831-7810
47.074	University of Tennessee	9,422	OR878-001.04
47.074	University of Tennessee	11,199	OR878-001.04
47.074	University of Tennessee	9,758	Not Available

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
47.075	American Association for the Advancement of Science	500	Not Available
47.075	American Association for the Advancement of Science	310	Not Available
47.075	Cornell University (Sackler Institute)	8,400	Not Available
47.075	Louisiana State University	2,435	PO R915526
47.075	University of Colorado	24,881	20597
47.075	University of Colorado	6,776	20597
47.075	University of Michigan	12,480	3000389646
47.076	Mathematical Association of America	17,112	Not Available
47.076	Montana State University	465,168	GC048-02-Z2484
47.076	Portland Community College	9,649	Not Available
47.076	Research Foundation of the City University of NY	4,414	40257-00-01 M
47.076	Research Foundation of the City University of NY	4,445	40257-00-01 M
47.076	University of Colorado	81,861	34465
47.076	University of Washington	5,424	763550
47.076	Association of American Colleges and Universities	158	Not Available
47.076	Hampshire College	33,043	Not Available
47.076	Research Foundation of the City University-CUNY	4,252	40257-00-01J AMEND. 1
47.078	Earth and Space Research	37,739	PO 03-56 01-75
47.078	HT Harvey and Associates	17,666	1016-06-04
47.078	Ohio State University	22	RF00972121
47.078	University of Maine	10,384	UM-S471 PO U220712
59.037	Lane Community College	30,250	3-603001-Z-0039-20
59.037	Lane Community College	17,933	Not Available
59.037	Lane Community College	10	Not Available
59.037	Lane Community College	17,563	Not Available
59.037	Lane Community College	12,044	Not Available
66.460	Middle Fork Irrigation District	22,990	Not Available
66.463	Oklahoma Water Resources Board	53,540	Not Available
66.500	American Farmland Trust	3,499	03170007279 2002-1
66.500	American Farmland Trust	7,865	03170007279 2002-5
66.500	Arkansas Soil and Water Conservation Commission	70,000	SGA 0041
66.500	Colorado State University	90,608	G-5817-1
66.500	Colorado State University	10,522	G-5817-1
66.500	Geosyntec Consultants	23,218	Not Available
66.500	Montana State University	36,469	GC117-02-Z2664
66.500	University of California, Los Angeles	45,000	1181 G DB434
66.500	University of Colorado	10,020	20596
66.500	Washington University	225,789	WUHT-03-05
66.509	University of Wisconsin	7,066	A736536
66.605	SW Clean Air Agency	5,729	2004-001
66.606	SW Clean Air Agency	54,665	2003-001
66.606	Iowa State University	6,083	429-46-03
66.606	Oregon Health and Science University	49,785	GESEN0023
66.606	Pacific States Marine Fisheries Commission	15,200	38091
66.606	The CADMUS Group, Inc.	(13,054)	Not Available
66.606	University of New Hampshire	39,472	03-737

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
66.714	Confederated Tribes of Warm Springs	26,995	I-8928-02 TC-000001918-000
81.036	Timberwolf Corporation	37,035	DE-FG02-03ER83858
81.036	Timberwolf Corporation	20,385	DE-FC26-03NT41879
81.049	Argonne National Laboratory	49,426	3F-00301
81.049	Battelle Pacific Northwest Laboratory	(156)	325609-A-N4/411238-A-N3
81.049	Battelle Pacific Northwest Laboratory	1,114	401640-A-N4-3659
81.049	Battelle Pacific Northwest Laboratory	50,022	325609-A-N4/5728
81.049	Battelle Pacific Northwest Laboratory	47,211	325609-A-N4/5728
81.049	Battelle Pacific Northwest Laboratory	12,490	7521
81.049	Idaho National Environmental and Energy Lab	17,126	00000064-00004
81.049	North West Power Planning Council	20,250	RTRR05
81.049	Sandia National Laboratories	37,500	PO 29097
81.049	Sandia National Laboratories	3,850	PO 209078
81.049	University of California/Davis	17,200	W/GEC 99-023
81.049	University of California/Davis	15,365	OSU-992107-03
81.049	University of California/Davis	36,661	W/GEC 01-011
81.049	University of California/Davis	97,127	W/GEC 01-019
81.049	University of California/Davis	83,761	W/GEC 01-003
81.049	University of California/Davis	49,399	W/GEC 03-022
81.049	University of California/Davis	53,543	W/GEC 03-009
81.049	University of California/Davis	20,342	W/GEC 03-018
81.049	Western Environmental Consultants, Inc	38,631	99-0259
81.049	Krell Institute	1,000	Not Available
81.064	University of Utah LLNL	82,914	2205056 AMEND. 6
81.086	Confederated Tribes of Umatilla	25,825	032-16 / 416-00
81.086	CORRIM	4,028	102
81.086	University of California – LLNL	166,653	B531998 MOD. 2
81.087	Consortium for Plant Biotech Research	16,979	OR 22072-107
81.087	Consortium for Plant Biotech Research	10,097	OR 22072-118
81.087	Consortium for Plant Biotech Research	3,138	OR22072-117
81.087	Consortium for Plant Biotech Research	29,988	GO12026-157
81.087	Consortium for Plant Biotech Research	24,542	GO12026-157
81.087	Consortium for Plant Biotech Research	13,380	GO12026-164
81.087	DOE-Renewable Energy Research and Development	159,443	ADJ-2-30630-17 MOD. 7
81.087	MRI National Renewable Energy Laboratory	75,045	XAD-9-18668-15 MOD. 8
81.087	University of Florida	17,417	PO 472405 / Enc. 008BEG
81.087	University of Florida	11,994	PO 002AEG/UF-EIES-0203001-ORE
81.087	University of Nebraska	31,049	26-6223-0005-701
81.089	UT-Battelle, LLC	5,631	4000014546
81.089	UT-Battelle, LLC	208,979	4000023558
81.117	Confederated Tribes of Warm Springs	3,144	Not Available
81.117	Confederated Tribes of Warm Springs	2,531	T-8997-02
81.117	Midwest Research Institute	154,162	TAA-2-31490-01
84.017	American Council on the Teaching of Foreign Language	377	Not Available
84.027	American Samoa Government	91,196	50578

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
84.027	American Samoa Government	84,530	CM-J0577
84.027	American Samoa Government	96,624	CM-J0579
84.027	American Samoa Government	34,166	Not Available
84.027	Auburn University Montgomery	3,546	Not Available
84.027	Republic of Palau	55,424	17227
84.051	Ohio State University Research Foundation	4,528	PO RF00958302 / 744617
84.051	University of Minnesota	11,309	KS304908743
84.051	University of Minnesota	136,476	KS304911544
84.078	California State University Northridge	(2,108)	Not Available
84.116	University of Colorado	12,813	34542
84.116	Great Cities University Foundation	1,783	Not Available
84.116	Tufts University	34,683	ED1070
84.116	University of Wisconsin-Madison	6,508	458F076 MOD. 1
84.116	Bonner Foundation	4,009	Not Available
84.116	Research Foundation of State University of NY	4,113	R83503 MOD. 1
84.133	Oregon Health and Science University	64,249	9497201E
84.133	Oregon Health and Science University	13,569	GCDRC0035E
84.133	Oregon Health and Science University	14,570	GCDRC0077A
84.133	Oregon Health and Science University	712	SUBCONTRACT 2325141
84.133	University of South Florida/State of Florid	112,000	5830-461-L0-A
84.133	Oregon Health and Science University	24,784	F473D
84.181	Lane Education Service District	379,640	Not Available
84.181	Lane Education Service District	105,109	2302-1A
84.181	Lane Education Service District	5,878,856	Not Available
84.184	Crook Deschutes Education Service District	(4,400)	Not Available
84.184	Crook Deschutes Education Service District	4,400	Not Available
84.184	Crook Deschutes Education Service District	46,501	Not Available
84.184	Gresham-Barlow School District	15,000	Not Available
84.184	Lane Council of Governments	30,034	Not Available
84.184	Lane Education Service District	10,000	Not Available
84.184	Lincoln County School District	5,120	Not Available
84.184	Salem-Keizer Public Schools	203,700	PS 4651
84.184	Springfield School District	3,548	Not Available
84.186	Portland Public Schools	2,283	1743/25701
84.186	Portland Public Schools	3,826	PS 52353
84.215	Portland Public Schools	37,123	Not Available
84.224	Access Technologies Inc.	36,935	Not Available
84.287	David Douglas School District	13,735	Not Available
84.287	David Douglas School District	9,650	Not Available
84.287	David Douglas School District	5,200	Not Available
84.305	American Educational Research Association	15,000	Not Available
84.305	Eugene Research Institute	27,591	Not Available
84.305	Pacific Institute for Research	14,855	Not Available
84.309	Harvard University	43,943	Not Available
84.309	Harvard University	35,180	Not Available
84.309	Harvard University	241,223	Not Available

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
84.309	Harvard University	475,469	Not Available
84.323	California Institute on Human Services	51,800	Not Available
84.323	California Institute on Human Services	21,000	Not Available
84.323	Nebraska Department of Education	5,292	99-9405-248-SIG11-02
84.323	Nevada Department of Education	26,105	243481 AMEND. 1
84.323	State of Louisiana, Department of Education	49,385	592195 - 604259
84.324	Lane County School District 4J	43,065	Not Available
84.324	Springfield School District #19	65,836	Not Available
84.324	University of Colorado at Denver	73,313	1101.10.063D-01 MOD. 1
84.324	University of Kansas Center for Research	93,344	FY2000-008 MOD. 5
84.324	University of Kentucky Research Foundation	52,826	466320-03-234
84.324	University of Wisconsin-Madison	44,000	514G743
84.324	Portland Public Schools	83,526	1051-02/G 50976
84.325	California State University Northridge	3,427	H324A010001
84.325	California State University Northridge	65,390	H324A010001
84.326	Direction Services, Inc.	7,242	H326D98002
84.326	Direction Services, Inc.	18,568	H326D030001
84.326	University of Colorado at Denver	23,786	0902.10.033D-01 MOD. 1
84.326	American Institutes for Research	136,970	GV3-01-01881 MOD. 1
84.326	American Institutes for Research	25,000	GV3-01-01881 MOD. 2
84.326	Hawaii State Department of Education	18,092	MOA #03-3
84.326	Hawaii State Department of Education	31,998	MOA 03-03A
84.336	Southern Oregon Education Service District	16,265	Not Available
84.342	Vermont Institutes, Montpelier	101,628	P342A030033
84.349	Sonoma State University	78,772	Not Available
84.350	Umatilla-Morrow ESD	64,046	Not Available
84.351	Portland Public Schools	16,015	52721
84.357	American Samoa Government	204,213	MOA 03-3
84.363	University of Alaska, Fairbanks	33,379	UAF 03-0080MOD. 1
84.366	Willamette Educational School District	8,418	Not Available
84.928	National Writing Project 03-04	43,000	Not Available
84.928	The National Writing Project Corporation	17,912	Not Available
84.928	The National Writing Project Corporation	21,063	Not Available
84.928	USDE-National Writing Project	(4,177)	92-OR03 AMEND. #15
84.928	USDE-National Writing Project	39,177	92-OR03 AMEND. #15
93.042	American Institutes for Research	25,789	SC-02-1825-03 MOD. 1
93.042	American Institutes for Research	47,404	SC-02-1825-03 MOD. 1
93.043	Rogue Valley Council of Governments	8,149	Not Available
93.104	Clackamas County Oregon	37,035	Not Available
93.104	Clackamas County Oregon	41,323	Not Available
93.104	Clark County	(1,309)	2000-SOC-04
93.104	Clark County Washington/Center for Mental Health Services	33,443	2003-SOC-02
93.104	Clark County Washington/Center for Mental Health Services	181,501	2004-MH-27
93.104	Mid-County Center for Living	24,989	Not Available
93.113	Oregon Health and Science University	56,146	GCROE0055A A

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
93.113	Oregon Health and Science University	59,204	GCROE0055A B AMEND. 1
93.113	Oregon Health and Science University	25,000	GCROE0018D
93.136	Oregon Health and Science University	16,409	J528
93.143	Oregon Health and Science University	174,384	8409441D
93.143	Oregon Health and Science University	120,316	8409441C
93.143	Oregon Health and Science University	5,624	8409441E
93.173	Oregon Health and Science University	16,044	GSOTOL0062A
93.173	University of Iowa	32,322	4000089878
93.173	University of Iowa	32,272	4000089878
93.189	Oregon Health and Science University	9,935	GALHE0008A B
93.213	Oregon College of Oriental Medicine	14,170	Not Available
93.213	Oregon Health and Science University	123,310	8402371
93.213	Oregon Health and Science University	35,643	8402331B
93.218	Oregon Health and Science University	44,000	GPHPM0039A
93.230	Clark County Washington Center for Mental Health Services	15,846	2003-SOC-02
93.230	Clark County Washington Center for Mental Health Services	25,224	2003-MH-41
93.230	Clark County Washington Center for Mental Health Services	57,513	2040-MH-27
93.230	Legacy Emanuel Hospital and Health Center	130,469	Not Available
93.230	Multnomah County	26,984	4600003906
93.230	Multnomah County	57,694	4600004565
93.230	Oregon Health and Science University	43,566	J525A AMENDMENT #1
93.230	Oregon Health and Science University	10,519	GPHPM0029B B
93.230	Washington County, Oregon	44,087	CH 02-0764 CH 03-1152
93.230	Washington County, Oregon	22,875	CH 02-0764 CH 03-1152
93.239	University of Missouri	158,050	CG005179-1/C0000008922
93.242	University of California-Berkeley	30,937	SA3344
93.242	University of Pittsburgh	30,651	103876-3
93.243	African American Health Coalition	40,971	Not Available
93.243	African American Health Coalition	85,160	Not Available
93.243	Legacy Emanuel Hospital and Health Center	50,651	Not Available
93.262	The Center to Protect Workers Rights	98,369	1020-07 AMEND. 7
93.262	The Center to Protect Workers Rights	34,339	1020-07 AMEND. 7
93.262	The Center to Protect Workers Rights	27,406	1020-07 AMEND. 7
93.263	American Psychological Association/NIOSH	(7)	Not Available
93.263	American Psychological Association/NIOSH	33,500	Not Available
93.273	Pacific Institute for Research/Evaluation	6,347	RO1AA12972
93.273	Pacific Institute for Research/Evaluation	29,251	710828 MOD #4
93.273	Behavioral Health Research Center of the Southwest	134,334	OJD Contract Os0101-05
93.283	Multnomah County	81,774	Not Available
93.283	Public Health Institute – Centers for Disease Control	121,962	1004124 AMEND. 2
93.333	Duke University – National Institute of Men	159,189	GCID #100528, SITE 07
93.389	Oregon Health and Science University	79,708	8409901
93.389	Oregon Health and Science University	71,047	8409901
93.389	Oregon Health and Science University	(24,075)	Not Available
93.393	Washington State University	1,044	G001271
93.395	University of California	247,282	S0116021

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
93.395	University of California	30,433	S0116021
93.395	University of Maryland, Baltimore County	9,280	CG0332 AMEND. 2
93.395	University of Michigan	96,953	F009723
93.395	University of Minnesota	43,175	PO F6286155052
93.570	National Youth Sports Program/NCAA	62,759	NYSPPF 03-230
93.571	National Youth Sports Program/NCAA	51,898	Not Available
93.571	National Youth Sports Program/NCAA	28,311	Not Available
93.575	Crook County Oregon	17,085	Not Available
93.575	Oregon Child Care Resource and Referral Net	20,413	02-RR04
93.575	Oregon Child Care Resource and Referral Net	45,071	03-05RR04
93.575	Oregon Child Care Resource and Referral Net	5,533	Not Available
93.575	Lane County	5,647	205238
93.576	Immigrant and Refugee Community Organization	195,993	Not Available
93.596	Deschutes County Commission on Children and Families	78	SUBGRANT 7
93.600	National Center for Family Literacy	4,439	Not Available
93.658	Washington State Department of Social and Health Services	(4,404)	26842
93.779	Ketchum Public Relations	14,243	UOR-CMS-01-0002
93.779	University of Maryland	15,095	Not Available
93.837	Boston University	233,593	BU Acct. 6371-5
93.837	Medical College of Ohio	259,057	N2003-24
93.838	Oregon Health and Science University	61,746	GMMED0018C
93.838	Oregon Health and Science University	26,285	GMMED0047A
93.853	Medical College of Wisconsin	23,193	562460-000
93.853	Medical College of Wisconsin	34,517	Not Available
93.853	University of Pittsburgh	778	REFERENCE#104409
93.856	University of Nebraska	51,000	24-6239-0096-002
93.856	University of Washington	74,500	786822 - 819923
93.859	Wake Forest University	58,470	58105
93.859	Indiana University	1,379	PO #10207-0328
93.859	Stanford University	135,831	PR-0744
93.859	Texas A&M University	16,050	570140 AMEND. 1
93.865	Oregon Health and Science University	6,438	GFAMP0021A B
93.865	Georgia State University	40,773	12-ALA17-01
93.865	Pennsylvania State University	62,123	2252-UO-DHHS-8075 AMEND. 2
93.865	Oregon Health and Science University	15,879	GCDRC0106A
93.865	Northwest Media, Inc.	18,919	3 R43 HD42903-01S1-1
93.866	University of California, Irvine	38,696	DB98- AG14130-PSU
93.891	Oregon Health and Science University	48,406	8410186 AMEND 2
93.891	Oregon Health and Science University	37,877	8410186 AMEND 3
93.894	Mount Desert Island Biological Lab	125,912	Not Available
93.894	University of Medicine and Dentistry of New Jersey	7,941	1 R25 RR018490
93.894	University of Medicine and Dentistry of New Jersey	18,620	1 R25 RR15621 / P010057
93.933	Confederated Tribes of Siletz Indians	32,465	Not Available
93.933	Confederated Tribes of Siletz Indians	27,056	Not Available
93.938	Association of American Colleges and Universities	1,504	Not Available
93.945	African American Health Coalition	200,351	Not Available

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>CFDA</u> <u>Number</u>	<u>Organization</u>	<u>Amount</u>	<u>ID Number</u>
93.955	Center to Protect Worker's Rights	1,000	03-7-FS
93.959	TELESIS Corp	(12,806)	Not Available
93.969	Oregon Health and Science University	49,695	GSONO0091A B
93.969	Oregon Health and Science University	91,844	GSONO0091A A
94.005	Hawaii Campus Compact	78,040	Not Available
94.005	Oregon Campus Compact	935	00LHEH1059
94.005	Oregon Campus Compact	5,672	03LHHOR001
94.005	Oregon Campus Compact	5,232	Not Available
94.005	University of North Carolina at Chapel Hill	705	UNC-CH ACCT 5-55585
98.001	Universidad de Guanajuato and SOU Amistad Program	80,201	HNE- A-00-97-00059-00
15.XXX	Bureau of Land Management	59	14160
15.XXX	Pacific States Marine Fisheries Commission	58,884	38018
17.XXX	AGUIRRE	(683)	NAWS PSU-072001
17.XXX	AGUIRRE	61,984	S-6010-PSU/FP1126
19.XXX	Northwest Regional Educational Laboratory	1,966	Not Available
19.XXX	University of Pittsburgh	49,691	Not Available
20.XXX	Oregon Health and Science University	35,673	0000306706WC
43.XXX	TDA Research, Inc.	101	#PSU 02-02
43.XXX	Geo Eco Arc Research	6,000	Not Available
43.XXX	TDA Research, Inc.	14,620	#PSU 02-01
43.XXX	The Titan Corporation, Inc.	17,258	Not Available
43.XXX	University of Puget Sound	31,713	213011-NASA011
43.XXX	TDA Research, Inc.	58,216	#PSU 03-1
81.XXX	Wy' East RC and D	7,207	Not Available
81.XXX	Battelle Memorial Institute	15,570	407488-A-N3
81.XXX	Idaho National Engineering and Environmental Laboratory	17,000	22485
81.XXX	University of California	17,073	B524838
81.XXX	Los Alamos National Laboratory	43,988	84599-001-04- 4V
81.XXX	Knolls Atomic Power Laboratory	55,309	PL00108922SJ
81.XXX	Spokane Tribe of Indians	145,984	Not Available
93.XXX	University of Massachusetts	11,673	Not Available
93.XXX	National Institute for Occupational Safety and Health	14,726	158224
93.XXX	D.B. Consulting Group	24,996	Not Available
		<u>\$31,364,659</u>	

**State of Oregon
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2004**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

Qualified – Centers for Disease Control and Prevention- Investigations and Technical Assistance

Unqualified – All Other Major Programs

**State of Oregon
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2004**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.225	Unemployment Insurance
21.XXX	State Fiscal Relief Payment
39.011	Election Reform Payments
84.032	Federal Family Education Loans
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.367	Improving Teacher Quality State Grants
93.283	Centers for Disease Control and Prevention- Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
N/A	Student Financial Assistance Cluster
N/A	Child Care and Development Fund Cluster
N/A	Special Education Cluster
N/A	Medicaid Cluster
N/A	Schools and Roads Cluster

Dollar threshold used to distinguish
 between type A and type B programs: \$18,495,984

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

04-1

SAIF Corporation

Ceded Premiums, Losses and Reserves

(Material Weakness)

The SAIF Corporation (SAIF) participates in the National Workers' Compensation Reinsurance Pool, administered by the National Council on Compensation Insurance (NCCI). As part of that program, SAIF cedes and assumes a material amount of premiums, losses, and reserves to and from the NCCI. Information to record these amounts are provided by the NCCI on a quarterly basis. Due to the timing of the receipt of this information, necessary accounting entries have been recorded on a one quarter delayed basis. Management's process to record and review these transactions, including comparing the preliminary estimates to actual amounts that were later communicated, was not sufficient to detect the material differences that occurred as of December 31, 2002, that resulted in a restatement adjustment to SAIF's 2002 Fund Equity.

AGENCY'S RESPONSE:

We agree with this finding. In recent years, the size of the reinsurance pool administered by the NCCI has grown significantly. In prior years, we sought to estimate and accrue premium and losses for the current reporting period as the amounts had become material. During 2003, we discovered our estimated accrual for ceded premium and losses was not adequate and recorded an adjustment to properly reflect accrued ceded premium. This adjustment was material and should have been recorded in 2002. During the course of the audit, it was also determined that other estimates related to the reinsurance pool should be refined. We have revised our estimates by incorporating trend and correlation analysis and those refinements have been implemented. Additionally, provided the actual results are available prior to the release of future financial statements, we will compare actual results with our estimate and adjust accordingly if the differences are material.

04-2

SAIF Corporation

Loss Reserve Calculation

(Material Weakness)

The SAIF Corporation (SAIF) recorded approximately \$2.4 billion in insurance loss reserve liabilities at December 31, 2003. The calculation of loss reserve amounts requires significant analysis, and use of underwriting and operational data, complex processing of such data, and significant estimates and assumptions performed by management in determining the appropriate level of reserves. Subsequent to the December 31, 2003 year-end close, a third-party review of SAIF's reserving methodology identified a mathematical error in the reserve computation, resulting in a \$13 million audit adjustment in the loss reserve balance at December 31, 2003.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

AGENCY'S RESPONSE:

We agree with the finding of the mathematical error. The error was corrected immediately when we became aware of it. While the amount of the error is considered material as it relates to net income and fund equity, we note that the error was approximately one-half of one percent of SAIF's total loss reserve liabilities. As you have correctly noted, the estimate of workers' compensation loss reserves involves complex analysis, estimates, and assumptions. The output of this work is subject to multiple peer reviews, including review by an external actuary, which should detect material errors. However, SAIF's Actuarial Department will strengthen its peer review process. In addition to reviewing every exhibit in the reserve documentation, we will also perform control total checks for selected accident years to ensure that the numbers add up to the correct totals. Even if the total of all accident years balance, we will spot check various accident year totals to confirm that the numbers have been assigned to the correct accident years. This peer review and checking process will be fully implemented with the year-end 2004 annual statement preparation process.

04-3

Oregon Department of Human Services

Cash Reconciliations

(Material Weakness)

The *Oregon Accounting Manual* indicates that departments should regularly perform reconciliations of cash recorded in agency records to amounts reported on Treasury statements. Those reconciliations should be performed by persons not otherwise responsible for handling or recording cash and should be reviewed by management.

During state fiscal year 2004, the Oregon Department of Human Services (department) did not properly perform reconciliations for 90 percent of cash recorded in account 0075 – Cash on Deposit Suspense Account at Treasury, for Health and Human Services Fund, 1108. After this condition was detected during the audit, department staff completed reconciliations for the majority of amounts reported in the above suspense account. As a result of those reconciliations, errors totaling approximately \$4.4 million were identified and corrected.

Reconciling bank statements to amounts recorded in agency accounting records is an essential internal control. Timely and effective reconciliations can help identify errors or other problems that may have occurred, and provide additional assurance that reported cash balances are valid. By not performing reconciliations, the department's ability to timely detect and correct potential problems was unacceptably limited.

We recommend department management ensure suspense account reconciliations are regularly and accurately performed. In addition, they should ensure that those reconciliations are reviewed and adjusting entries made to correct errors identified during reconciliation.

AGENCY'S RESPONSE:

The department agrees with this finding. Most of the reconciliations are maintained in a timely manner. We have developed a tracking system to facilitate monitoring of these

reconciliations. Our biggest challenge is the reconciliations for the child welfare accounts and system.

Expectations have been developed for managers and shared with staff. The expectations include closely monitoring each reconciliation for timeliness and the correction of reconciling items. Weekly meetings are scheduled to track the progress on reconciliations and to develop timelines for meeting the expectations. Training sessions for the reconciliation staff and managers will also be developed.

04-4
Oregon Department of Human Services
Segregation of Duties

As instructed by the *Oregon Accounting Manual*, the Oregon Department of Human Services (department) should ensure cash and cash related transactions are properly accounted for and safeguarded by providing controls to:

- Ensure mail containing remittances is opened by two people.
- Restrictively endorse all checks as they are received.
- Record all cash received using pre-numbered documents, cash register tapes, mail- room listings or similar documents.
- Daily reconcile all cash received with the above reports.
- Separate cash handling from record keeping duties.
- Ensure that no one person handles cash transactions from beginning to end.

The department has not established adequate controls over cash receipts. Although it indicated that checks were restrictively endorsed when received, mail containing remittances were routinely opened by one person who often had complete control over cash transactions. Checks also were not logged when received; thus, they could not be reconciled as required.

As a result, cash receipts have not been adequately safeguarded and the risk of fraud or misuse of state funds has not been sufficiently reduced. In addition, the above issues limited the department's ability to detect potential problems.

We recommend the department develop and implement policies and procedures to provide for segregation of duties over cash receipts, ensure adequate documentation of cash receipts is created, and ensure that cash is reconciled to that documentation.

AGENCY'S RESPONSE:

The department agrees with this finding. The department has established procedures that require the restrictive endorsement of all negotiable instruments as the mail is opened. While it is true that there may not be adequate separation of cash receipting duties, compensating controls are in place.

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

The department currently has a staff of seven employees who receipt all negotiable instruments received by the department. With the volume of instruments received, it is not physically possible for these staff to log all of them. The department does not have a common system where all receipts are entered, but currently has six different systems. These systems are specialized to account for receipts for specific needs of distinct populations of clients within the department. This requires the staff who record receipts to specialize in the different systems, and hampers the ability to appropriately segregate receiving duties.

The department will immediately implement the requirement that two staff open the mail together. The department will also pursue a compensating control for verification of all deposits by one staff who works with trust accounts, and has no recordkeeping duties for cash receipts.

In addition, the department is in the very early stage of designing a common database in which to record all receipts so it can eventually serve as a log of all receipts that can be reconciled to deposits. We will implement the procedure requiring two staff to open the mail immediately. The design and implementation of the database may take up to a year, depending upon available resources.

**04-5
Oregon Public Employees Retirement System
Reconciling Items Not Cleared Timely**

We found that the Oregon Public Employees Retirement System (department) is not promptly clearing reconciling items from three clearing accounts. The total unreconciled balance of these accounts exceeded \$285 million as of June 30, 2004. Of this amount, reconciling items totaling \$140 million (49 percent) have remained in the clearing accounts for more than one year.

Items are placed in the clearing accounts when there is a disagreement between amounts reported in the Membership and Benefit Reserve Subsystems of the Retirement Information Management System (RIMS). Each item remains in the clearing accounts until department staff can review and resolve the discrepancies. Uncorrected reconciling items may result in the over or under payment of refunds or benefits. Failure to correct reconciling items promptly may increase the magnitude of errors.

We recommend department management prioritize the correction of the RIMS clearing account reconciling items.

AGENCY'S RESPONSE:

The department agrees with the reportable condition and recommendation. Two primary drivers causing the clearing account balances to grow in the past year are the record number of member retirements processed by the Oregon Public Employees Retirement System and 2003 legislative changes that impacted the pension benefit calculations. Reconciling items often result when the Retirement Information Management System does not have the

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

necessary functionality to process benefit calculations, requiring staff to process system workarounds. Management has increased the priority given these accounts and added resources to correct reconciling items. Management anticipates having outstanding items older than six months cleared from the reconciling accounts no later than June 30, 2009.

04-6

Oregon Department of Corrections

Capital Asset Controls Need to be Strengthened

The Oregon Department of Corrections (department) needs to improve controls over capital assets to ensure they are properly recorded and accounted for. According to *Oregon Accounting Manual* (OAM) Policy 15.60.10, state agencies are responsible for ensuring capital assets are accounted for and classified properly and accurately in the accounting records. Management is responsible for ensuring that sufficient internal controls are in place to accurately record capital assets. During the fiscal year 2004 audit, we tested a sample of capital asset transactions recorded in the building and building improvements account and found the department inaccurately recorded capital assets in the accounting system.

We found 13 assets that were not properly capitalized when the assets came into service. Most of these assets were placed into service between one and two years prior to being capitalized and included in the financial statements. Of these 13 assets, seven had not been capitalized by June 30, 2004, which required a financial statement adjustment of over \$3.8 million to increase the capital asset building account. Another adjustment of approximately \$100,000 was required to reduce the building account because the department incorrectly classified an item as a building instead of equipment. One control weakness that may have contributed to the misreporting is an improper segregation of duties as required by OAM 10.50.00. The department's accounting staff create and release their own accounting batches in the Statewide Financial Management Application (SFMA) without supervisory review.

We also found the department did not reconcile amounts recorded in the state accounting system (SFMA) to amounts recorded in the department's Automated Financial Accounting Manufacturing Inventory System (AFAMIS) and physical inventory systems. According to OAM 15.60.10, property ledgers used to control capital assets are to be periodically reconciled to general ledger control accounts. Additionally, the department did not conduct an annual physical inventory of capital assets as required.

The department's internal policy regarding inventory and property control is outdated as it references an OAM policy that does not exist. It also contradicts the current OAM policy regarding physical inventory. The OAM requires physical inventory to be conducted annually, while the department's policy indicates a physical inventory should occur every two years.

We recommend the department update its policy to agree with the OAM. The department should take physical inventories annually, and reconcile it to both SFMA and AFAMIS to ensure the accuracy of amounts reported in the financial records. The department should

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

capitalize assets when they come into service. We also recommend the department review its capitalized asset and construction projects listing to ensure all completed projects have been properly capitalized.

AGENCY'S RESPONSE:

The department agrees with the recommendation.

- a. *Department policy will be changed effective within fiscal year 2005 to require physical inventories to be conducted on an annual basis. Such inventories will be performed department wide during the last half of the fiscal year.*
- b. *An Accountant 2 was hired effective June 21, 2004, as a dedicated resource to accounting for fixed assets. This resource has been reviewing and reconciling accounts and booking fixed assets monthly as acquired during fiscal year 2005. This accountant continues work on prior years' reconciliations as well as reconciling current year acquisitions timely.*
- c. *An Accountant 3 was hired effective February 1, 2005, as a dedicated resource for Certificates of Participation-funded capital projects accounting. This accountant will track projects in process and provide work in process and completed project data to the Accountant 2 responsible for fixed assets. These two resources will address prior years' issues with Work in Process.*

04-7

**Oregon Department of Corrections
Mail Opening Procedures Need to be Strengthened**

In reviewing the Oregon Department of Corrections' (department) procedures, we found that an inmate is currently opening the department's mail without a second person observing. Additionally, checks are not restrictively endorsed upon receipt. This practice puts checks and cash received through the mail at risk of loss or theft without the department's knowledge.

Oregon Accounting Manual (OAM) Policy 10.20.00 requires controls and safeguards to be adequate to provide management with a reasonable degree of assurance that cash and cash related transactions will be properly accounted for and controlled. Specifically, receipts received by mail should be opened by two designated persons. In cases where the volume of receipts is light and/or the cash received is in small amounts and risk evaluation indicates low risk levels, one person may open the mail. If only one person opens the mail, additional control procedures may be required, such as adequate supervision, test checks of receipts and deposits and periodic reassignment of duties. The OAM also states that checks are to be restrictively endorsed at the time of collection.

We recommend the department use two permanent employees for mail opening. Additionally, checks received should be restrictively endorsed immediately upon receipt.

AGENCY'S RESPONSE:

The department agrees with this recommendation.

- a. *The department agrees it needs to improve the mail handling procedures in Central Accounting. The department has implemented the recommendation to have all checks restrictively endorsed immediately upon receipt.*
- b. *The department will conduct a 30-day evaluation of the incoming mail and the associated number of checks to assess the level of risk associated with incoming checks. Once that level of risk is determined, the department will work with its Internal Audit staff to review compensating controls that could include establishing a mail log process, rotation of the mail opening duty, and additional supervision of the mail opening process.*

04-8

Oregon Department of Corrections
Independent Review Needs to be Strengthened

During our testing of payments made to counties, we identified a \$100,000 overpayment that was sent to a county. The county identified the error and returned the check to the Oregon Department of Corrections (department). *Oregon Accounting Manual (OAM) Policy 10.40.00* requires payments to be reviewed internally for accuracy and appropriateness. Further, an employee independent of the claims and payable process should conduct this review.

We recommend that department management ensure independent reviews are conducted on all payments and other critical accounting processes. These reviews should examine transactions for accuracy and appropriateness.

AGENCY'S RESPONSE:

The department agrees with the recommendation. The department agrees that while Independent Review has been addressed as a result of findings from the 2003 statewide financial audit, there is still some room to improve and strengthen independent reviews.

An Accountant I was hired effective January 10, 2005, for the position of Payment Approver. This accountant has been trained in payment approval for all types of payments processed by the department. This accountant is supported by oversight from the Accounting Manager and Controller for all aspects of the payment approver role. Prior to submitting the payment interface file for processing, the Accounting Manager or Controller will randomly select and review batches. This corrective action is substantially implemented as of this writing.

04-9

Oregon Department of Forestry
Controls Over Financial Accounting

During our audit, we found that the Oregon Department of Forestry (department) has not established adequate controls over key financial accounting functions. Without an adequate system of controls, the department is less able to effectively meet its business purpose.

For example, the department did not timely comply with *Oregon Revised Statute (ORS) 530.115*, which states that a portion of timber revenues will be paid to counties on or before

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

the last day of each month following the end of the calendar quarter. During fiscal year 2004, approximately \$48 million in timber revenues were owed to counties. Of this amount, the department did not transfer approximately \$5.9 million to nine of 12 counties timely. This situation existed because the department experienced a cash flow shortage and was forced to temporarily delay payments until the department was approved to take out a line of credit.

Significant weaknesses also exist in the department's cash handling, payroll, and accounts receivable processes. Details can be seen at: 04-10, 04-11, and 04-12.

We recommend the State Forester make it a priority to establish a complete system of controls over the financial accounting functions by assigning the authority and responsibility to an individual or unit whose mission it is to align the department's financial activities. Those activities should include establishing and implementing policies and procedures department wide, and reporting and verification mechanisms to ensure policies and procedures are adhered to.

AGENCY'S RESPONSE:

We disagree in part with this finding. We believe we have established adequate controls over most functions, and we continue to make improvements on controls to make them the best they can be for the risk being managed. We are in the process of adding to and fine-tuning the controls.

As to the specific example cited of our not complying with ORS 530.115, we believe it is important to emphasize that this was a one-time event in the history of the agency, and occurred once at the conclusion of the first fiscal year 2004 quarter. The agency was three business days late in making the transfer, and all county treasurer office contacts were notified personally prior to the original due date that the transfer would be late. In every other quarter of this year and the preceding years, these transfers have occurred timely as required by statute. In addition, we have implemented policies and procedures that allow us to track and manage our cash flows more effectively so that we will not experience the cash shortage that forced us to delay the payment to the counties.

We also disagree in part with the recommendations. The recommendation states that the State Forester should assign an individual whose mission it is to align the department's financial activities. This recommendation is currently achieved in our assignment of duties to our Fiscal Services Manager, and then through the agency chain of command. Our Fiscal Services Manager has the responsibility to establish and implement policies and procedures over the financial accounting functions of the agency. The chain of command for the Fiscal Services Manager is through the Business Services Director, charged with overseeing the business functions for the department including Fiscal Services, Support Services, Budget Management, Equipment Pool and Facilities/Procurement. The Business Services Director reports to the Associate State Forester who oversees the Administrative Services Division for the department including the Business Services, Information Technology and Quality Assurance Programs. The Director of Quality Assurance also serves as a consultant to the Fiscal Services Manager, especially concerning internal controls and directives related to implementing and enforcing those controls.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

In addition, we have a Directive and Administrative Manual system in place that serves as the vehicle for communicating and instituting policy and procedures agency-wide. As discussed in our previous year's audit with the Audits Division, we are in the process of completing a comprehensive update of all those Directives and processes that will reflect the internal controls standard contained in OAM chapter 10. On November 1, 2004 we published two Directives, Internal Controls – General Overview and Internal Controls over Cash, and have drafted four additional Directives dealing with internal control issues.

We also have Directives in place, which we are updating, and others that we are in the process of writing that cover chapters 15, 20, 25, 30, 35, 40 and 45 of the Oregon Accounting Manual. These Directives will be updated or completed by December 2005.

In July 2004 we implemented the department's Quality Assurance Program and hired an Internal Auditor as the Director. The Fiscal Services Manager along with the Support Services Manager and the Purchasing Manager, work with the Quality Assurance Director to assure internal controls are in place and functional for fiscal activities.

Along with the Directive update effort, we have instituted a new system for on-site field reviews around the state at our field districts and units, and Salem program units. These "self-audits" work to ensure Directives and processes are being carried out appropriately. The Director of Quality Assurance serves in a consulting role for these reviews. To date, we have conducted payroll reviews of 13 offices and have issued a summary memorandum to personnel responsible for payroll duties to point out opportunities for internal control improvements. We have conducted six reviews of offices for key fiscal procedures. In the Spring of 2005 we will begin conducting reviews covering the purchasing activities of our field units. We anticipate having all three forms of reviews (payroll, fiscal, and purchasing) completed by the end of 2005.

04-10

Oregon Department of Forestry
Internal Controls over Cash Handling

The Oregon Department of Forestry (department) could improve its internal controls over cash. Specifically, we noted that some policies and procedures over cash and check stock were not implemented and desk manuals were limited in detail. The department did not have a process in place to replenish its petty cash or for making change. Furthermore, some assets were not protected (for example, checks were not restrictively endorsed and one check sent to the mailroom in the amount of \$2,103 was lost), and checks were prepared without supporting documentation. We also noted inadequate segregation of duties over the request, approval and signing of checks. Finally, the department was unable to account for some missing cash receipts (A-receipts) and deposit slips used by the field offices.

The *Oregon Accounting Manual* (OAM 10.20.00.PR.101) states departments that collect state moneys should design and document internal controls for cash and the OAM (10.20.00.PR.123) states the department should have in place controls over cash receipts that include restrictively endorsing checks immediately upon receipt. Without an adequate system

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

of controls over cash, the department is less able to meet its business objectives and is less able to identify and correct errors and omissions.

We recommend that department management:

1. Further develop, finalize, and implement policies and procedures over cash handling (i.e., check stock, petty cash, and change funds).
2. Update desk manuals on a regular basis and ensure they contain complete information.
3. Ensure checks are secured at all times.
4. Provide adequate segregation over the request, approval and signing of checks.
5. Ensure adequate supporting documentation is provided with each check preparation request.
6. Maintain a complete inventory on controlled items such as A-receipts and deposit slips.

AGENCY'S RESPONSE:

We disagree in part with this finding and in particular with the tone of the finding. We agree that there is room for improvement with the internal controls over cash for the department, but we do have policies and procedures in place covering cash handling. These are updated on an ongoing basis and additional policies in the form of Directives and administrative manual updates are being written.

As to the specific assertions in the finding:

- *The Fiscal Services desk manuals document duties, the processes associated with the duties, and steps necessary to get the duties done. The new Internal Controls – Cash Directive requires that all units that have cash handling responsibilities have the specific procedures outlined in a desk manual.*
- *We have procedures in place identifying how to replenish petty cash and how to use change funds. We will include policy statements and procedures for both of these processes in the Administrative Manual update.*
- *We have added the requirement for restrictively endorsing checks as they are received, and will include this requirement in our Administrative Manual update. This should be a sufficient mitigating control in the unfortunate event a check is lost.*
- *We have the supporting documentation for the revolving fund checks that were mentioned in this finding. This documentation was available at the time of the audit and we told the auditors about the documentation during the audit exit conference. The request for these checks was made by the Support Services Manager; the checks were prepared by a member of Fiscal Services and approved by the Fiscal Manager.*
- *We have Directives in place covering segregation of duties, but we will make sure that this topic is covered in more depth. We will be writing Directives and procedures for compensating controls in the case of offices that have a lack of segregation of duties due to size or composition of staff.*
- *We agree that we have not been able to account for all controlled documents used by field units. We are continuing to research this and we have put controls in place to account for all controlled documents sent out to field offices at present.*

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Our response to each recommendation follows:

- 1. We agree in part with this recommendation. We have policies and procedures in place, but some of these documents are out of date. We are in the process of updating these Directives and procedures. To assure that these Directives are followed, we have implemented a review process, as discussed above. This review process will assess the controls and adherence to Directives and procedure at each office on a regular basis.*
- 2. We agree with this recommendation, but disagree with the finding related to it. The department recognizes the agency's Administrative Manual as the desk manual for fiscal procedures. In addition to the Administrative Manual, desk manuals for all fiscal services employees are, and have been, in place for some time. We have a review process in place within Fiscal Services that is tied to each employee's yearly Performance Appraisal. For those units outside of Fiscal Services that handle cash, we are now requiring them to have the specific procedures for their unit outlined in a desk manual. This standard is spelled out in the new Directive titled Internal Controls over Cash that was published in November 2004. The assurance of the completeness and accuracy of the information is included in the yearly review of fiscal processes. We will continue to communicate to employees the importance of maintaining current desk manuals and procedures.*
- 3. We agree with this recommendation. We have procedures for cash handling in place and we are in the process of updating these procedures. We are reviewing the cash handling processes in our reviews of the units. We will increase the security of checks by the addition of the restrictive endorsement of checks. This is being addressed in the updates of the cash handling procedures.*
- 4. We agree with this recommendation, but as stated above, we disagree with the finding. The checks that are referred to were requested by the Support Services Supervisor to replace some payroll checks that did not get issued in time. The request was approved by the Fiscal Services Manager, the checks were prepared by another Fiscal Services employee, and then the checks were signed by the Fiscal Services Manager. We are in the process of updating the Revolving Fund Directive and we will assure that there is an adequate segregation of duties outlined. We will also document the process for preparation of Revolving Fund checks in a procedures manual.*
- 5. We agree with this recommendation, but as stated above, we disagree with the finding. We believe the appropriate documentation for the questioned example was available at the time of the audit. Again, we are in the process of updating the Revolving Fund Directive and we will assure that there is an adequate segregation of duties outlined. We will also document the process for preparation of Revolving Fund checks in a procedures manual.*
- 6. We agree with this recommendation. We are continuing to research the controlled documents that are missing. We have developed a database that allows us to inventory all these types of controlled documents as they are requested and sent out to the field or program units. We are studying a process that will allow us to imbed these document numbers in our accounting records to make it easier to track these documents. We are also working on a Directive on the handling and disposition of controlled documents.*

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

04-11

Oregon Department of Forestry
Internal Controls over the Payroll Process

The Oregon Department of Forestry (department) has significant weaknesses in its payroll processes. The *Oregon Accounting Manual* (45.07.00.PO.102) states that agencies must ensure the review and approval of the data that becomes the basis for and the documentation of payroll expenditures. Agency administration is responsible for ensuring that the policy is followed throughout the agency and alternate reviewers are designated for when supervisors are absent from work.

We reviewed internal controls over payroll and tested payroll transactions for regular and seasonal employees, as well as overtime payments, and identified the following:

- a. Life insurance codes for 99 employees did not correspond to the employees' correct age range. Per discussion with an Oregon Public Employees Benefit Board representative, since the correct premium was not deducted, in the event of a loss of life, the employees would not be insured.
- b. Oregon Public Employees Retirement System (PERS) contributions were made to employees that were ineligible as PERS members. Some of these employees were eligible for a six percent differential in lieu of the PERS contribution; however, the department paid both the differential and the contribution to 37 of these employees.
- c. Timesheets contained numerous manual corrections that were not supported.
- d. The department did not adequately document its reasons for providing additional compensation for employees who did not take the allowed 15-minute breaks.
- e. Units utilize different payroll timesheet formats.
- f. The department overpaid seasonal employees a total of \$291 due to various errors.
- g. Some timesheets were not approved by a supervisor.
- h. The department did not pay a total of \$354 in overtime payments due to various errors.
- i. One employee with unlimited payroll system update access also receives and distributes payroll checks to field office employees. This situation increases the opportunity for misappropriation of assets.
- j. One employee enters his own payroll data into the system without supervisory review.
- k. The department units were unable to demonstrate review of some system generated overtime exception reports.

As a result, the department is less able to ensure that payroll is complete, accurate and supported. As such, the department runs the risk that errors could go undetected and uncorrected in a timely manner resulting in a loss of state funds.

We recommend the department immediately correct:

1. Life insurance codes to ensure they correspond to the correct age range.
2. Payroll errors to ensure employees do not receive both the PERS contribution and a 6 percent differential.
3. Overpayments and underpayments identified during the audit.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

We also recommend the department modify its payroll processes to ensure:

1. Codes for payroll deductions and contributions are correct and updated on a routine basis.
2. Management review and approval of timesheets.
3. Adequate documentation exists to substantiate the expenditure.
4. Adequate segregation of duties over payroll responsibilities.
5. Unit managers review exception reports in a timely manner.

The department should also consider using standardized timesheets in all payroll units to help reduce errors.

AGENCY'S RESPONSE:

In general, we disagree in part with this finding. As stated previously, prior to the beginning of this audit, the department instituted a self-review of many of its internal business practices, and in particular its payroll processes and Directives. This review was conducted in cooperation and coordination with the State Controller's Division central payroll staff. This included on-site visits to each of our district offices, and discussions of corrective action with staff and management at each location. Prior to this audit, the department shared its internal review process as well as many of the weaknesses found in that internal review. Each of the conditions identified in the audit findings were conditions already identified by the department, shared with the auditors, and on which corrective action was either planned or already under way. We feel it is appropriate that the audit report state this fact as part of its findings. Following is our response to each issue identified.

- a. *We disagree in part with this finding. Although it is correct that there were several incorrect premiums listed, it was by no means the entire list. In 60 percent of the listings, the query had listed the employee's birthday on the spouse's/domestic partner's premium. This gave a skewed result. All of the birth date ranges have been checked and corrected for all employee and/or dependents that have optional life insurance policies. There is now a process in place to ensure that this information is updated annually.*
- b. *We agree. There was a lack of coordination between the Payroll Unit and the Human Resources Program with regard to status changes for employees. This has been corrected. We now produce a report that is run at the close of each month that is reviewed to verify that all eligible employees have been placed on PERS, and that any existing six percent payments have been removed.*
- c. *We agree with this finding. There has been a problem in the past regarding the appropriate documentation needed for corrections and/or adjustments to timesheets. To correct documentation problems, personnel performing payroll functions have been instructed to document any and all changes made to the timesheet after approved by the employee and manager. Screen prints of entry to the computerized payroll system are now being attached to provide documentation, as well as written explanation. We have communicated to payroll personnel that all corrections made to timesheets are to be initialed and dated. Procedures will be updated to reflect this information. There have been mathematical errors in the past, due to the excessive level of manual work involved in the current timesheets. The agency is in the process of developing a*

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

computerized timekeeping database that will eliminate the manual calculations and standardize time reporting for the whole agency. This should significantly reduce the errors.

- d. We agree with this finding regarding documentation. There are only two locations in the state that regularly use this form of compensation, and both are units that work directly with Oregon Department of Corrections inmates as field work crews. According to the state statute, inmates are not to be left unattended. Therefore, department employees must work through scheduled breaks when there is no one to relieve them, which is usually the case in field operations. The use of this compensation code is watched closely. This will be documented in the form of a Directive.*
- e. We agree with this finding. In the recent past, there has not been a standard timesheet utilized by the whole agency. The agency is aware that this is not a best practice, and is in the process of determining the various needs of the agency at all levels and units, and determining the most appropriate format. As mentioned previously, the agency is developing a timekeeping database that will be implemented this spring. This will become the agency standard.*
- f. We agree with this finding. All of the time sheets reviewed by the auditors are from calendar year 2003, before most of the current changes went into affect. In several instances, seasonal employees were not available for documenting changes. Relative to the overall seasonal payroll total of greater than \$4,700,000, we view this (less than .007 percent error) as an improvement over past years, and a guide for continued changes.*
- g. We agree with this finding. In the past there have been problems ensuring that all timesheets are signed before filed. This is due to the nature of the work the agency does, and the number of times supervisors are out in the field and not available. The department has undergone a review that includes designating an alternate signor, or a tracking system to guarantee that timesheets are not filed until all necessary signatures are recorded.*
- h. We disagree with this finding. In reviewing the documents provided for the overtime test, we found only \$32.00 of shift differential missing from employee's pay. The agency is implementing guidelines as part of the administrative manual to ensure that shift differential is paid appropriately in the future.
We also note that the original draft management letter provided to the department by the auditors at the exit conference contained the figure \$345.25. However, even the stated amount above, a \$354 underpayment, we feel, is relatively minor in comparison with our audited payroll to Regular Employees for the fiscal year totaling over \$20,000,000 (less than .002 percent). We will make the adjustment to the affected employee(s) pay.*
- i. We agree with this finding. Payroll personnel in program, district and unit offices are currently working on evaluating their current processes to ensure that there is more than one person involved in the process, as well as documenting the information for future reference.*
- j. We agree with this finding. There are a few department offices in outlying locations with small numbers of permanent staff where this has been a past practice. The agency has already identified this as a concern and taken steps to correct it. We will continue to work with these offices to identify and implement mitigating controls in these situations.*

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- k. *We agree with this finding. In the past, the department had no established process that required this review as part of supervisory/managerial oversight. That has changed. Not only are the managers required to review, they are required to return the cover memo, signed, to the Salem payroll office. This has been corrected and is being tracked more closely.*

04-12

Oregon Department of Forestry

Internal Controls over Accounts Receivable

During the audit, we noted that the Oregon Department of Forestry (department) did not collect its accounts receivable in a timely manner nor did it charge interest on past-due accounts. The amount of interest that could have been collected for past-due accounts was approximately \$67,000 as of June 30, 2004. We also identified one invoice in the amount of \$5,810 that was approximately two years past due that agency staff were not seeking payment. Furthermore, many invoices reviewed required corrections and adjustments due to preparation errors, some of which were several months past due and have yet to be rebilled. Of \$6.8 million in receivables for firefighting costs owed by individuals and owner-operators, the department collected less than \$300,000 (less than five percent of the total due). The majority of these receivables have been outstanding between 2000 and 2004.

The *Oregon Accounting Manual* (OAM 35.20.20.PO.102) states that it is state policy to collect all receivables due to state agencies and to establish procedures to effect the timely collection of all amounts owed. The OAM (35.20.20.PR.102) states that the first step an agency must take to effectively collect its receivables is to have clear, written, top management supported internal procedures that will be used to bill and collect accounts receivable.

We recommend the department:

1. Develop and implement clear, written, top management supported internal procedures governing accounts receivable that include:
 - a. Management review of invoice preparation to better identify and correct errors timely.
 - b. Follow up procedures when revenue is not received timely or when adjustments are needed to invoices.
 - c. Ensure outstanding receivables are reviewed for uncollectibility and are written off, if applicable.
2. Provide training for personnel for the timely collection of past due amounts.

AGENCY'S RESPONSE:

In general, we disagree in part with this finding. General agency receivables are an area we identified as a weakness in our own internal reviews, and shared that information with the auditors in the entrance meeting. We are in the process of reviewing portions of this within the department's Fire Protection Review as well as a review of our overall controls and procedures over revenues. We will also be reviewing this in our department's business process review, which is beginning this winter. As part of our review of controls and

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

procedures over revenue we are developing Directives on internal controls and accounting for revenues, receivables and collections as discussed previously in this response.

We agree that we have not charged interest on past due invoices. At the present time we do not have the ability to accomplish this in a cost effective or efficient manner without an increase in staffing or without an automated process in place, either of which would involve the use of budget resources we do not have. This will be looked at as a piece of our business process review as well as our internal control Directives.

We also agree that the invoice for \$5,810 was not followed up on in a timely manner. As part of our review of our controls and procedures over revenues we will be building a more complete review and follow-up procedure into the process for receivables maintained and managed by our programs. This particular invoice has been taken care of and paid as of October, 2004.

We disagree with the tone of the statement that “many invoices reviewed required corrections and adjustments due to preparation errors, some of which were several months past due and have yet to be re-billed”. We agree that there may be errors in preparation, and corrections are made to the bills, but we believe to make a blanket statement when we are talking about any number of different types of invoices that we process, some of which are subject to other methods of review as stated in the paragraph below, is incorrect. If we have an invoice that is billed in error, our procedure is to correct the error and re-bill in a timely manner. There have been exceptions to this process as evidenced by the invoice for \$5,810, but the rule is that these have been corrected in a timely manner and re-billed accordingly.

We also disagree with other specifics of this finding. The \$6.8 million detailed in this finding relates to the collection of fire suppression costs from parties responsible for such costs under Oregon law. Fire cost recovery claims are unique in their application of collection processes, and are based, in part, on effective fire investigation and cause determination. The uniqueness of fire cost recovery claims under Oregon law includes: (1) these are unliquidated accounts that cannot be immediately collected through forcible means such as garnishments or referral to collection agencies; (2) the department has a collection process that includes investigating fires to determine if a statutory basis for liability exists, utilizing a 90-day billing process as required by Oregon Revised Statute (ORS) 477.068, and referral of liability cases over \$100 to the Oregon Department of Justice (DOJ) to be reviewed for recovery including potential and possible litigation; (3) some of these claims end up being uncollectible because there is not a sufficient statutory basis for recovery; and (4) many responsible parties lack sufficient assets to enable the department to collect its costs, either due to minor total assets or incarceration for crimes. A fair way to characterize these numbers would be to state that out of a total of \$6,790,956.54 in outstanding fire cost billings as of September 30, 2004, this represents approximately 100 open collection cases. One single fire, the East Antelope fire of 2002 was alone \$3,755,561.86 or 55 percent of the total, and that fire is in the civil collection process at the current time. The agency has over \$1.5 million worth of claims in the initial stages of cost collection, and \$4,251,776.90 has been turned over to the Oregon DOJ to pursue collection after agency demand letters have not been paid (including the East Antelope case). The department has written off approximately

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

\$630,000 in debts in the past year only after Oregon DOJ collection efforts were unsuccessful and \$294,796.94 has been collected in the past year by settling cases. This does not mean, however, that only \$294,796.94 has been collected on these open cases total. This figure only includes amounts collected between October 1, 2003 and September 30, 2004.

We also do not agree with the finding that we do not have established procedures to effect the timely collection of amounts owed. The agency has significant policy established in two Directives, Investigation Directive 1-1-3-101, and Fire Cost Recovery Directive 1-1-3-203. In addition, the agency has in place a very complete and comprehensive Investigation Procedures Manual and Cost Recovery Procedures Manual. We do have the processes in place to collect all that is owed to the state, outside of the interest from past due accounts. We also have the support of top management and the Oregon DOJ in our internal procedures used to bill and collect accounts receivable.

Our response to the individual recommendations follows:

- 1. We agree with the recommendations, and as stated above, these general receivables Directives and procedures are being developed.*
- 2. We agree with the recommendation. As described in our responses above, the department is currently in the process of updating its accounts receivable and revenue Directives and procedures. As part of the implementation of these Directives and procedures, we will be training personnel involved in these functions. We are also using our review of fiscal processes at the field units as a teaching opportunity to reinforce the procedures for preparing and processing invoices.*

04-13

Oregon Department of Forestry
Next Day Deposit Testing

Oregon Department of Forestry (department) management should improve controls over miscellaneous deposits to ensure compliance with the next day deposit exemption or state statute. During the fiscal year 2002 and 2003 audits, the department was out of compliance with the statute or exemption in 50 percent of sample items tested. During the fiscal year 2004 audit, the department was out of compliance with the statute or exemption in 40 percent of the sample items tested. We identified one field office that did not collect or deposit money for campground fees for a two-week period and also found that the Salem central office did not make timely deposits.

Oregon Revised Statute 293.265 states that funds are to be deposited within one business day of receipt, although provisions exist to authorize exceptions for legitimate business reasons. The department requested an exemption to the next day deposit requirement for multiple district and field offices, which allows them to deposit funds within the time frame or dollar amount documented in the request. Districts that have not requested an exemption are required to follow the next business day timeline.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

We recommend that department management ensure all department offices are in compliance with the state statute and any exemption filed.

AGENCY'S RESPONSE:

We agree with the finding and recommendation. Compliance with this requirement is included as part of the reviews we are performing at the field units, and we will continue to educate and test as a part of these reviews into the future, and on an on-going basis.

04-14

Oregon Department of Forestry
Inappropriate Use of State Funds

The Oregon Department of Forestry (department) inappropriately used state funds when paying for moving expenses and for employee recognition or retirement parties.

According to state policy, Oregon Department of Administrative Services Human Resource Services Division (HRSD) 40.055.10 when the department relocates an employee to a new official workstation, the department will reimburse the employee for normal, reasonable moving and related expenses. In addition, the policy states that the new workstation must be at least 50 miles farther from the employee's former residence than the old workstation was from the same residence. For example, if the old workstation was three miles from the former residence, the new workstation must be at least 53 miles from the former residence in order for the employee to be reimbursed for moving and related expenses. The department's policy mirrors the state policy except for reimbursement rates.

According to the department's bargaining agreement, the department will reimburse for expenses related to packing, crating, and unpacking not to exceed \$1,000 per move and will reimburse miscellaneous relocation expenses up to \$5,000 whereas state policy only allows for reimbursement of \$750 and \$1,110, respectively.

During fiscal year 2004, the department paid \$79,405 in moving expenses to 25 employees. Of those 25 employees, seven received more than \$5,000, two of which received more than \$10,000.

For example, we reviewed moving expenses for the following employees and question why the reimbursements described below were normal and reasonable:

- One employee was paid moving expenses totaling \$6,872 to move three times during a three-year period. In the first move, the employee was paid \$1,130. Reimbursement included a washer, dryer and curtains and moved the individual approximately 23 miles closer to the new workstation. Five months later, although the employee did not qualify for moving expenses, the department paid this employee \$742 in order to move an additional 21 miles closer to the same workstation. This amount included a new stove. Approximately 32 months later, the employee received moving expenses in the amount of \$5,000 for realtor fees in order to move back near the original workstation. In each instance, the move did not meet the 50-mile distance requirement.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- A second employee was paid \$7,232 to move to a new workstation. Included in this amount was \$3,166 for closing costs.

We also identified numerous instances in which state funds were used to purchase items such as cakes, refreshments, decorations, and gift certificates for retirement parties. During the audit we noted at least two instances in which employee recognition or retirement parties were held during work hours and scheduled to last two or more hours. During fiscal year 2004, the department spent at least \$5,428 that it recognized as employee recognition that included retirement gift certificates, decorations, and refreshments.

According to the *Oregon Accounting Manual* (10.40.10.PO.109), state funds must not be used to provide refreshments for voluntary social events such as agency sponsored retirement celebrations. The policy further restricts state funds from being used to provide retirement invitations, cards, gifts, and party favors. However, department policy states, for retirements the department will pay up to \$200 for food and supplies for the function such as non-alcoholic beverages, cookies, cakes, hors d'oeuvres, invitations, decorations, plates, cups, and utensils. For a resignation the department will pay up to \$100.

We recommend the department ensure state funds are spent for appropriate uses by:

1. Aligning the department relocation policy with the dollar amounts allowed in state policy.
2. Documenting how employees' moving expenses paid by the department are normal and reasonable.
3. Considering voluntary employee contributions for retirement parties, decorations, and gifts.

AGENCY'S RESPONSE:

In general, we disagree in part with this finding for both the use of state funds for relocation and the use of state funds for employee recognition. In general, the recommendation is to align the department's policy with the state policy and to better document how such expenses are necessary to further the business purpose of the state. We agree with the spirit of the recommendations, but do not agree with the specific statements.

Relocation

The agency is decentralized with many offices located throughout the state. The department places a high premium on employees who, through their tenure, have gained a broad spectrum of experiences. Often, the best way to gain that experience in the field of forestry is through relocation to offices in different geographic areas. The department believes employees with broader experience will best be suited to further the agency's business, and also help alleviate oncoming succession management pressures due to generational changeover.

The department developed its current Employee Relocation Policy in 1999, and is codified in both policy as Employee Relocation Policy Directive 0-3-3-500 and in Human Resource Program procedure documents. In 1998 and 1999 the current Oregon Department of Administrative Services (DAS) HRSD policy 40.055.10 was reviewed and finalized. The

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

department participated in the review process and submitted several concepts for consideration based on our own review of employee moves and expenses, an employee survey, and a review of various employer moving policies. The changes made to the DAS 1999 policy did not address the issues our department was facing in regards to moving expenses being a barrier to relocation, which in turn resulted in a barrier to implementing our succession management efforts. Per HRSD policy 40.055.10 1(a) each agency could develop a relocation plan that was specific to their agency. The department did just that and developed a moving Directive for management and executive service employees along the lines of the recommendations that had been submitted to DAS during their policy review. DAS also assisted the department with the development of the tax gross-up procedure contained in our Directive. The department's policy was subsequently bargained with the unions, which resulted in our current Directive 0-3-3-500 dated 10/01. The DAS State Controller's Division policy on moving expenses found in the Oregon Accounting Manual (OAM) 50.20.00 and accompanying procedures only addresses the tax treatment of moving expense reimbursements to employees, and offers no further direction or guidance on relocation expenses.

Historically, the OAM had a list of permissible relocation expenditure items which were considered reimbursable as miscellaneous expenses. This list included real estate transaction costs such as home closing costs. When these items were no longer included as part of DAS's Manual, they were incorporated into department procedures as a guide for allowable reimbursable miscellaneous expenses. Also, as the state negotiated with the unions, these lists were used as a basis of understanding and in one contract that the department administers for engineering employees (AEE), the list is incorporated in a Letter of Agreement.

Employee Recognition

The OAM policy regarding Non-travel Meals and Refreshments, 10.40.10, allows the use of state funds for refreshments and "related items" for certain events or functions. Section .113(f) allows the use of state funds to provide refreshments for agency-sponsored employee recognition or volunteer recognition programs. However, importantly, the OAM policy does not provide an upper limit on the use these funds per function.

The department has a long history of recognizing employees' contributions and service to the citizens of the state, and we believe that this recognition is both appropriate and an important component of the department's human resource management efforts. Our service awards and recognition policies and programs are codified in two department directives, Service Awards Program directive 0-3-4-710, and Recognition of Retiring and Resigning Employees, Directive 0-3-2-420. These Directives were created, in part, due to the lack of policy at the state level regarding service recognition, and in the case of the OAM 10.40.10, to set an upper limit of expenditure per function in the absence of such in state policy.

When an employee retires or resigns from the department, the employee is recognized for their years of service and contributions to the agency and the citizens of the state. This recognition function is held consistent with the department's Directives, and includes the presentation of a service award and plaque. If an employee wishes to have a retirement

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

party, it is held away from the office during non-working hours, with all costs supported by personal registration/meal fees and/or donations (consistent with the OAM policy). In neither case, are gifts purchased with state funds.

Our response to the individual recommendations follows:

1. *We disagree in part with this recommendation. The department will review the current Employee Relocation Policy and its supporting systems to ensure they are aligned with the department's Directive, collective bargaining agreements, state policy and the OAM. As noted in the management letter, the department's Relocation Policy Directive is incorporated in the two collective bargaining agreements (SEIU and AEE). In the AEE agreement, payment of closing costs is specifically identified. Any modifications to the collective bargaining agreements would require negotiations with the respective unions. Following the audit exit conference, department management met with representatives from DAS to review the current Employee Relocation Policy Directive. They affirm that the agency's policy is in compliance with existing State policy and the OAM. However, if agency management reconsiders the terms of the relocation policy based on business needs, the department will work with the unions regarding possible modifications to the Relocation Letters of Agreement.*
2. *We agree with this recommendation. The department acknowledges processing errors were made in the first cited example. We will review and reevaluate the current authorization system and procedures and where appropriate, make necessary changes to build better consistency in the application of the Relocation Policy. In addition, employees will be required to provide estimates of costs and provide receipts in all cases to better document expenses. Where expenses appear to exceed the established limits, the manager and employee will be required to more completely document the requests for exceptions to be authorized by the agency Appointing Authority.*
3. *We disagree in part with this recommendation. As stated above and to the auditors, the department does not use state funds for retirement parties, decorations, or gifts. However, we will review our current recognition policies and ensure that they are consistent with state policy, and in the meantime, have suspended the provision for the use of state funds for refreshments. In addition, during the audit process, the department committed to meeting with representatives from DAS to review state policy and our Directives. Following the Audit exit conference, department management met with representatives from DAS to review the current Non-Travel Meals and Refreshment Policy. Based upon this meeting, and subsequent written guidance to be delivered to the department by the State Controller's Division, the department will review its policies and if there is conflict with the OAM, the department will make necessary adjustments.*

04-15
Oregon Department of Transportation
Improve Infrastructure Valuation

The Oregon Department of Transportation (department) needs to document its methodology for valuing highways and bridges, reevaluate which project codes should be capitalized,

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

ensure projects are actually complete, ensure historical cost associated with capitalized projects is appropriately removed, and reevaluate its methodology based on estimated prospective valuation to ensure book value is appropriately reported.

Bridges and Highway Methodology

The department has not documented a detailed methodology of the process it used to derive the costs to be removed from the value of highways and bridges. The process to calculate infrastructure costs is complex and difficult to remember and re-create. This situation was evident during our audit when we asked department personnel for a particular piece of data and they determined the original number was incorrect.

We recommend the department document a detailed methodology for both bridges and highways and maintain original data and spreadsheets used to derive costs of highways and bridges. The detailed methodology should identify the data fields, the specific computer systems they were obtained from, how they were calculated, and any limitations applied.

Capitalization of Highway Costs

The department is not accounting for the highway system in accordance with governmental accounting standards. Under the department's current methodology, the department only removes the cost of the replaced roadway surface and its associated accumulated depreciation for projects classified under the code for "Reconstruction on Existing Route". However, the department capitalizes the costs of all projects whether they are classified as for reconstruction, resurfacing, etc. According to the Governmental Accounting Standards Board (GASB), if a project is considered maintenance—a recurring cost that does not extend the road's original useful life or expand its capacity—the cost of the project should be expensed. If the project increases the serviceability (e.g. increases load capacity) or extends the original useful life of the road, the project should be capitalized. If a project is capitalized, the cost of the replaced roadway surface and its associated accumulated depreciation should be removed.

We recommend the department financial Services and Highway Finance Office work together to reevaluate and document which project codes should be capitalized and which should be expensed. In addition, the department should account for the highway system in accordance with GASB.

The department determines when a project should be capitalized based on whether the project status is "complete." During our review of data, we found that a project is usually broken into the preliminary engineering phase or construction phase as each new phase begins. Given the two phases, it is possible for the engineering phase to be completed and be capitalized even though construction has not begun. According to GASB, projects should be capitalized after the construction phase. Thus, the department may be capitalizing projects too soon and may not be capitalizing the entire cost of the project. Once a project has been determined to be "complete" and is a "reconstruction" project as described above, the department will remove the historical cost and associated accumulated depreciation of the mileage associated with the project. During this fiscal year, we found that the department removed historical costs from some projects that were also removed in the prior fiscal year. As a result, the project was removed twice. We also found instances where, based on the data, the reconstruction project

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

was complete but the historical cost related to the reconstructed mileage had not been removed.

We recommend the department review the projects identified as “complete” to ensure construction has actually been completed before the project is capitalized and ensure the associated historical cost for capitalized reconstruction projects is appropriately removed.

Book Value of Highway System

When the department began reporting the highway system in fiscal year 2002, they estimated the system only had a remaining useful life of approximately 10 years. The department monitors the condition of its pavement by conducting the pavement condition surveys on a biennial basis. The information obtained from the condition surveys provides department with a measure of the current health of the state highway system. Based on the Pavement Condition Report, in 2001 81 percent of all highways were in fair-or-better condition and in 2003 84 percent of all highways were in fair-or-better condition. In fiscal year 2004, the reported cost of the highway system was \$10.8 billion and accumulated depreciation was \$5.9 billion. Thus, the accounting records report that the department’s highway system is 55 percent depreciated. Based on the department’s current methodology and data to date, it is estimated that by 2011 the highway system will be almost fully depreciated and have a book value of approximately \$2 billion. According to GASB, if assets are significant and still in use, the asset should not be reported as fully depreciated and periodic reassessment of the estimated useful life may be appropriate.

We recommend that the department develop a workgroup to reevaluate the accumulated depreciation value now that actual data is being gathered to ensure the accumulated depreciation amount recorded in the accounting records is reasonable and develop a methodology for reassessing the useful life in future years.

AGENCY’S RESPONSE:

Bridges and Highway Methodology

The department concurs with Audits Division’s recommendation. The department plans to improve the existing documentation and the methodology to include the elements identified in the audit recommendation. Initial changes to documentation are expected to be completed by July 1, 2005, however, additional changes will need to occur after a work group reviews the capitalization of highway costs process.

Capitalization of Highway Costs

The department concurs with Audits Division’s recommendation. The department intends to establish a work group to review the entire process of how highway and bridge capital expenditures are recorded in the Transportation Environment Accounting Management System. Included in that review will be an analysis of what data elements should be used to consistently capture the financial information necessary to accurately account for the highway system.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

The work group will be comprised of staff from Financial Services, Highway Division management, Highway Finance Office, and Department of Administrative Services to ensure a comprehensive analysis is performed and that the resulting data element structure is established to continue to provide the department with accurate financial information and provide all capital expenditure information for financial reporting required by GASB Statement 34 and the State Controller's Division.

The work group will develop a project plan and timeline for completion and implementation. The plan and timeline may not be completed prior to Audits Division's return for the fiscal year 2005 audit, as the Legislative session may demand the attention of key individuals that need to participate in the work group.

Book Value of Highway System

The department does not concur with this audit finding. We believe the methodology the department used to determine useful life and historical cost fulfills the intent of GASB 34. The useful life of 20 years was arrived at through discussions with Highway Division staff, other state governments, and Department of Administrative Services staff. The pavement condition would only have been used had the department chosen to use the modified approach instead of depreciation. The department and the State Controller's Division evaluated using the modified approach versus depreciation and concluded that several substantive factors would stand in the way of a successful implementation. Furthermore, the department's Highway Division has very detailed records that include a mile-by-mile description of the highway (e.g., location, terrain, condition, year, etc.). By using this information, we were able to arrive at a more precise infrastructure value than the minimum requirements imposed by GASB.

Since you have raised a concern regarding the methodology, however, we will ask the work group set up to examine the capitalization of highway costs to also review our approach to calculating the system's book value.

Section III – Federal Awards Findings and Questioned Costs

DEPARTMENT OF HEALTH AND HUMAN SERVICES

04-16

Oregon Department of Human Services

Centers for Disease Control and Prevention-Investigations and Technical Assistance, CFDA 93.283

Inadequate Supporting Documentation for Payroll Costs (Material Weakness)

Questioned Costs Total \$8,041,269

Inadequate supporting documentation was provided for direct payroll costs charged to the federal program. In particular, reports generated did not include employee activity distributions by federal award program nor did documentation indicate approval of payroll costs charged to the specific federal award program by a responsible official. In addition, required certifications were not completed during the year ended June 30, 2004. The current information systems do not generate personnel activity reports, and the Oregon Department of Human Services (department) does not currently ensure that certifications are generated and signed by employees.

Based on the documentation provided, the department could not provide reasonable assurance that direct payroll and related costs were charged to the appropriate federal program. The cost allocation plan is driven by direct payroll costs and, therefore, cannot be reasonably relied upon. Questioned costs are \$8,041,269. Of this amount, \$7,353,939 represents the amount of total payroll and related expenditures claimed and \$687,330 represents allocated non-payroll expenditures.

In addition, five of 60 timesheets did not contain supervisor signatures and an additional two of 60 timesheets were not provided to the auditors. (Note that timesheets referenced here are different than those required for personnel activity reporting in that the timesheets do not report time by federal award program or cost objective).

Office of Management and Budget (OMB) Circular A-87 states when employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation. Specific requirements for personnel activity reporting include, but are not limited to, the following: Reports must reflect an after-the-fact distribution of the actual activity [by federal award program or cost objective] of each employee. Reports must be signed by the employee. In addition, a general requirement under this part is that all salaries and wages must be approved by a responsible official.

OMB Circular A-87 states where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and must be signed

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

OMB Circular A-87 also states a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received.

We recommend the department either modify its current information systems so that employee time activity reports may be generated or implement a new system to ensure that employee time activity reports are otherwise available for management's review and approval. The department should ensure that certifications are generated and signed by employees.

AGENCY'S RESPONSE:

The department partially agrees with this finding. Prior to consolidating all accounting records of the department into one agency from seven, a BRIO report was easily run against the payroll files to create employee time/activity reports for certification of work on public health grants.

After conversion to one agency it was difficult to recreate these certifications due to the complexities and size of the files involved. Even though the certification reports were not available, program managers continued to get reports that listed employees who charged hours to the grants. The program managers contacted accounting if the hours did not look right and adjustments were made.

The department's process for verifying and approving time worked by employees is as follows:

- *Employees enter their time on the statewide on-line system.*
- *Managers review the time and "lock" the time on-line.*
- *A paper timesheet is printed after the time is locked and the payroll month has closed. The paper timesheet contains the information entered by employees and locked by the managers.*
- *The paper timesheet is signed by the employee and manager and retained by the manager.*

The department's main control is electronic viewing and approving of time. The department offered to show the auditors the time-locking reports to show that even though they may not have been signed, there was a compensating control when they were locked on-line. The statewide payroll data warehouse can also be queried to print out the same information that would have been on a paper timesheet. Starting with the October 2004 payroll, monthly time/activity certifications were run for each employee. These will be distributed each month to be certified by signatures of employee and manager.

04-17

Oregon Department of Human Services

**Centers for Disease Control and Prevention-Investigations and Technical Assistance,
CFDA 93.283, Subrecipient Monitoring**

(Material Weakness)

The Oregon Department of Human Services (department) schedules on-site fiscal and program monitoring visits on a three-year rotation. Program monitoring of subrecipients was completed and documented on schedule for the year ended June 30, 2004. However, only two of the 11 scheduled on-site fiscal subrecipient monitoring visits were completed and documented for the same period.

Under the subrecipient monitoring requirements in OMB Circular A-133 Compliance Supplement, pass-through entities are required to monitor subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements.

The department could not provide reasonable assurance that the subrecipients administer federal awards in compliance with federal requirements for each audit period based on the scheduled monitoring rotation. In addition, due to the lack of completion of the scheduled fiscal monitoring visits for the current audit period, the department violated its own procedures with respect to fiscal monitoring of subrecipients. The department passed through \$7,893,133 to subrecipients for the year ended June 30, 2004. Insufficient resources appear to be allocated to monitoring of subrecipients.

We recommend the department allocate more resources to fulfill its responsibility to monitor subrecipients. The department should consider taking a risk-based approach in scheduling monitoring of subrecipients. In particular, the department should consider monitoring some subrecipients annually.

AGENCY'S RESPONSE:

The department partially agrees with this finding. The functions of the staff person assigned to do the on-site fiscal monitoring have changed over the past three years. The department has experienced budget and staff cuts. To continue on-site reviews would require additional staff. A review tool is being developed that can be sent to the subrecipient for completion and returned for office review, minimizing the need to go on-site.

While on-site reviews are not a requirement, they can provide valuable information of a program's operation. Our monitoring reviews are done two ways, a program review and a fiscal review. All program reviews were completed on schedule. To address the lack of resources for the fiscal reviews, the department plans to move to a risk-based process. On-site reviews will be scheduled based on a risk analysis and not per a set schedule. This, combined with desk reviews, will allow the best monitoring coverage with limited resources.

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

The department will develop a new risk-based review process. This process will include:

- *Working with program staff to establish a set of criteria to evaluate risk in the subrecipients,*
- *Developing a desk review tool to be used for monitoring the fiscal operations, and*
- *Setting up on-site reviews for subrecipients considered high risk.*

04-18

**Oregon Department of Human Services
Centers for Disease Control and Prevention-Investigations and Technical Assistance,
CFDA 93.283, Cash Management**

Subrecipients under this federal program are disbursed equal installments of the contract budget each month or quarter. Subrecipients are to submit quarterly expenditure reports. However, the Oregon Department of Human Services (department) does not require documentation of anticipated and actual expenditures (with appropriate supporting documentation) from subrecipients before funds are disbursed.

Subsequent disbursements may be modified based on the reported expenditures. While additional funding may be withheld when quarterly expenditure reports are not filed, the initial two monthly disbursements have been made by the time the first quarterly expenditure report is due. We identified one instance in which funds were disbursed in August 2003 and the first expenditure report was not submitted by the subrecipient until February 2004. (Note: Scheduled disbursements between September 2003 and January 2004 were withheld based upon the subrecipient's failure to file the quarterly expenditure report, in the case noted above.)

Office of Management and Budget Circular A-102, Cooperative Agreements with State and Local Governments states pass-through entities must implement procedures to assure that subrecipients minimize the time elapsing between the transfer of federal funds and the pay out of funds for program purposes.

The practice of disbursing substantially equal monthly payments to subrecipients does not ensure that time is minimized between the receipt of federal funds and the payout of funds for program purposes. The department passed through a total of \$7,893,133 to subrecipients for year ended June 30, 2004.

We recommend that the state implement a policy to require subrecipients to submit documentation of anticipated and actual expenditures (with appropriate supporting documentation) prior to disbursing funds to subrecipients.

AGENCY'S RESPONSE:

The department disagrees with this finding. The reported condition and cause is not accurate. The current process minimizes elapsed time between transfer of federal funds and related expenditures. The department receives documentation of anticipated and actual expenditures from subrecipients. Subrecipients submit budget documents, program goals,

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

and performance measures, during the contract/agreement negotiations that are conducted yearly. This information is reviewed and updated periodically throughout the year.

Payments are made at the end of the month after the major share of the month's expenditures has occurred. The department reviews quarterly expense information from the subrecipient and makes adjustments to the monthly payments. The documentation provided to the auditors clearly shows variances in the monthly payment amounts and does not match "equal installments of the contract budget". This process ensures compliance with federal guidelines.

Section 31 CFR 205.11a states, "A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes" (i.e. payments to subrecipients). Funds to subrecipients are transferred at the end of the month in which the expenditures are incurred which meets the above requirement.

In addition, section 31 CFR 205.23 requires the State ensure that the estimate reasonably represents the flow of Federal funds under the Federal assistance program or program component to which the estimate applies. At the completion of each quarter, actual expenditure reports are reconciled with distributed estimates and the following disbursements are adjusted by any under or over spent funds. Corrective action is not needed as the current process meets federal requirements.

04-19

Oregon Department of Human Services

Centers for Disease Control and Prevention-Investigations and Technical Assistance, CFDA 93.283, Reports Not Filed Timely

Five of five financial status reports (FSRs) selected for testing were not filed timely. The Oregon Department of Human Services (department) failed to liquidate obligations within 90 days after the end of the budget period, which barred the department from timely filing of its financial status reports.

The cooperative agreements for the program require the submission of financial status reports within 90 days after the end of the budget period and that those reports be based upon the underlying accounting records of the agency.

We recommend the department liquidate its obligations within an amount of time that will allow the department to timely file financial status reports.

AGENCY'S RESPONSE:

The department agrees. Interim reports are due 90 days after the grant period is over. Final reports are due 90 days after the grant period is over unless there are unliquidated obligations and an interim report is due. The final report is due at the end of the month after the obligations are cleared.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Report delays were due to program staff changes (one grant) and remaining outstanding obligations (four grants). Based on language in the Public Health Service Grants Policy Statement Manual (page 8-21), the program is allowed to obligate expenditures 12-15 months beyond the end of the grant budget period. When the obligations are not cleared within the 90-day reporting period, an interim report is filed. For the four grants where this occurred, interim reports were filed. Final reports have been or will be filed after the obligations are fully liquidated.

Corrective Action: Improve the procedures to insure that the following occurs:

- *Provide programs with information to review grant obligations, allowing enough lead-time to determine if they will be outstanding after the end of the grant FSR due date.*
- *Coordinate with program(s) to prevent delay.*
- *If a delay is anticipated, the granting entity will be advised that an interim report will be filed.*
- *File interim FSR.*
- *Once obligations have been satisfied, file a final SFR.*

04-20

Oregon Department of Human Services
Temporary Assistance for Needy Families (TANF), CFDA 93.558 and
Medicaid Cluster
Cash Management

Expenditures for Medicaid and TANF must be paid for by the state before reimbursement is requested from the Federal government. The state of Oregon has entered into a formal agreement with the U.S. Treasury outlining requirements for drawing down Federal funds. Federal regulations indicate that records must be retained to allow for calculations, outlined in the Treasury-State agreements, to be reviewed and replicated for compliance purposes. States must ensure that these records are readily available, fully documented, and verifiable.

The Oregon Department of Human Services (department) relies on its financial accounting system to track expenditures and federal reimbursements. On a daily basis, department employees use on-line cumulative expenditure totals to determine the amounts to be drawn. However, because staff performing this procedure did not retain documentation that later could be verified, compliance with the Treasury-State Cash Management Agreement could not be ascertained as required. See prior year finding 03-21.

We recommend department management develop and implement procedures or methods for documenting its daily draw process to ensure that supporting records are readily available, fully documented, and verifiable for compliance purposes.

AGENCY'S RESPONSE:

The department disagrees with this finding. The department uses on-line cumulative expenditure totals to determine the amounts drawn daily. We use the Statewide Financial

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Management Application (SFMA) 66 screen and transfer the dollar amounts to a spreadsheet for documentation. This screen cannot be used to recreate the expenditures at the exact time of a daily draw. Amounts shown on the screen can change from moment to moment. We do not believe it is necessary to print copies of all the 66 screens for a year of daily draws for several grants. This is time consuming and wasteful.

Financial Services is developing and testing a process to provide verifiable documentation of the sum of the daily draws for each calendar month of a fiscal year. We plan to make monthly screen prints of the SFMA 66 screen at the end of each calendar month. The difference between one month and the subsequent month equals the expenditures for the calendar month. The totals can be traced to our draw spreadsheet. We can provide detail expenditures for the draws made using a Brio query for a period of time. We anticipate providing this information for the audit period ended June 30, 2005.

04-21

Oregon Department of Human Services

Medicaid Cluster

Calculation of Interest Obligation for Cash Management

The Code of Federal Regulations requires that records be retained to allow for calculations outlined in the Treasury-State agreements to be reviewed and replicated for compliance purposes. States must maintain these records to be readily available, fully documented, and verifiable.

Oregon Department of Human Services (department) staff calculated the interest obligation for Medicaid using a running overdraw balance maintained by department staff on a spreadsheet. However, department staff could not provide sufficient documentation to support the overdraw balances on the spreadsheet. Therefore, we could not ascertain whether the interest amounts the department calculated were in compliance with the Treasury-State agreement.

We recommend department management develop and implement policies and procedures to ensure compliance with documentation requirements for cash management of federal programs. The department's records should be readily available and verifiable for compliance purposes.

AGENCY'S RESPONSE:

The department agrees with this finding. The department did not have the documentation readily available and verifiable for the auditors. Section 8.6.3 of the Treasury-State agreement states that "the State shall measure the time between the date Federal funds are received and credited to a State's account and the date those funds are debited from the State's account". There is not a separate department account that we can provide to show the cash on hand balances. The department uses an analytical approach with an Excel worksheet containing draw balances from the monthly draw worksheets and information from the Payment Management System showing cash on hand balances at the end of each quarter. We recognize the need for process improvement.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

We plan to develop a process where we more frequently calculate the cash on hand balances and document the explanations for the balances, rather than wait until the year end to do this calculation. At month end, we will tie the cash on hand figures back to the monthly draw worksheets. We believe this will provide verifiable information to support the calculation. We plan to start with the month of April 2005 for this process.

04-22

Oregon Department of Human Services

Medicaid Cluster

Medicaid Reporting

Office of Management and Budget A-133 Compliance Supplement requires that amounts reported on the Centers for Medicare and Medicaid Services (CMS)-64 and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed.

The Oregon Department of Human Services (department) did not report actual total expenditures on its CMS-64 for fiscal year 2004. During our audit, we reviewed the report for the quarter ended December 31, 2003. Total Medicaid expenditures for that quarter were understated by approximately \$13 million.

In addition, the department generally did not submit CMS-64 reports to the required Federal agency in a timely manner. For example, the CMS-64 for the quarter ended December 31, 2003 was submitted about 45 days after the required deadline. See prior year finding 03-17.

We recommend that department management implement procedures to appropriately report Medicaid expenditures and to ensure that CMS-64 quarterly reports are submitted to the Federal agency within 30 days of the end of each quarter as required by federal regulations.

AGENCY'S RESPONSE:

The department agrees with this finding. We agree that the CMS-64 report was submitted to the Federal agency later than required. This is a very complex report, requiring over 50 pages of detailed expenditure information. Statewide Financial Management Application month end close occurs two weeks after the calendar month date. We strive to complete the report 30 days from month end close for the complete quarterly information. Each quarter the Region X Federal Accountant comes to the department, usually two weeks after the due date. When his review of the CMS-64 is complete, we can then certify the report electronically.

We are working closely with other areas in department accounting and Finance and Policy Analysis to refine the report preparation process. We are identifying needed coding changes so we will be prepared for the start of the new biennium. Once the coding changes are implemented, we anticipate a more timely submission of the CMS-64 report. Once the coding is corrected, the CMS-64 should be able to be prepared within the timelines.

04-23

Oregon Department of Human Services

Medicaid Cluster

Lack of Supporting Documentation for Eligibility, Questioned Costs \$108

Code of Federal Regulations 435.913 indicates that facts supporting the agency's decision to award Medicaid benefits must be included in the client's case file.

During eligibility testing, Oregon Department of Human Services' (department) staff could not locate current Medicaid eligibility applications for two of 31 sample items. Because the department could not provide documentary evidence that the clients were eligible for the benefits provided, we questioned the costs associated with those exceptions. The actual questioned cost totaled \$108.

We recommend department management provide assurance that supporting documentation for eligibility redeterminations is retained to allow for independent verification according to federal requirements.

AGENCY'S RESPONSE:

The department agrees with this finding. The examples identified were isolated to a specific program area and branch. The department has taken several steps to address this including:

- Seniors and People with Disabilities (SPD) is developing a program review tool for financial and service eligibility, which includes the need for complete documentation initially and annually upon recertification. This tool is available for use by field offices and will be used by a central office review team in conducting future reviews in each of the SPD/AAA (Area Agencies on Aging) offices. The field review team will complete a formal statewide review by July 2007.*
- SPD is taking action to eliminate the computer coding which allows a case to be "suspended" from reassessment. A system edit will ensure that notices are generated for all cases for annual recertification. By March 2005, a policy transmittal will be sent to field offices to discontinue the use of the code which suspends the reassessment.*
- Department internal audits is performing a review of the field office in which the sample cases were noted. This should be completed by May 2005.*
- SPD will begin utilizing the Medicaid Quality Control review tool and protocol to sample long term care Medicaid cases. Beginning July 2005 this will be an ongoing process.*

04-24

Oregon Department of Human Services

Temporary Assistance for Needy Families (TANF), CFDA #93.558

State Maintenance of Effort (MOE) Requirements

Inaccurate Financial Reporting for Federal Fiscal Year 2003

The Office of Management and Budget A-133 Compliance Supplement states that every fiscal year a state must maintain an amount of "qualified State expenditures" for eligible families. "This is termed 'basic MOE' (Maintenance of Effort) and the requirement is based on the Federal fiscal year." "In addition, expenditures by the State from amounts that originated

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

from Federal funds may not count toward meeting a MOE requirement even if the expenditures 'qualify'." Federal requirement 45 CFR 265.7 also indicates that agencies must submit a complete and accurate financial report.

Because the Oregon Department of Human Services (department) routinely anticipates that TANF expenditures will significantly exceed the required MOE for any given year, it applies a predetermined funding split to all TANF expenditures made during the year, then makes adjustments to that funding at year end to ensure state expenditures meet, but do not exceed the MOE. For federal fiscal year ended September 30, 2003, the department reported that it met the required MOE of \$91,636,299. However, \$8,283,247 of that amount represented funding adjustments the department intended to make, but did not make until April 2004. Thus, when the September 30, 2003 federal report was filed, the reported MOE did not agree to the agency's financial records. In addition, \$2,752,762 of the reported MOE for federal fiscal year 2003 was expended during federal fiscal year 2002 and later transferred to the 2003 fiscal year. Therefore, the department was short of meeting the required MOE by approximately \$11 million for federal fiscal year ended September 30, 2003.

We recommend department management ensure compliance with state MOE requirements and ensure federal financial reports are fully supported by its financial system. We also recommend the department ensure that the approximate \$2.7 million shortfall, not adjusted in April 2004, is resolved using state originated funds.

AGENCY'S RESPONSE:

The department disagrees with this finding. The department is confident each year that expenditures will meet the MOE requirements. The Federal report is filed for federal fiscal year (FFY) end, reporting those requirements. As with many accounting processes, there is a timing difference between when entries are made. Typically, adjustments are completed by the December following the FFY end.

For the FFY ended September 30, 2003, adjustments were not completed until April 2004. There were many factors that attributed to this. The department relies on several other state agencies to provide us MOE information. In addition, on July 1, 2003, the department converted our method of accounting from seven separate sets of books (agencies) into one. It was an incredible workload to convert the information for the report for FFY ended September 30, 2003. The processes that had been used prior to that year to prepare the MOE could not be used because of the accounting changes.

The department disagrees that \$2.7 million of reported MOE for FFY 2003 was expended during FFY 2002. This amount was contributed by the State Scholarship commission as TANF MOE and was reported to the department in October 2003. As MOE for FFY 2002 was already met, other MOE expenditures previously reported in FFY 2002 were reclassified and moved to FFY 2003. This is allowable because more than one year of expenditures can be open at one time and the TANF program allows carryover of funds. The \$2.7 million was not reported as MOE for FFY 2003. We have identified some ways to improve the TANF MOE process, as discussed in the TANF MOE finding for FFY 2004 below.

04-25

Oregon Department of Human Services

Temporary Assistance for Needy Families (TANF), CFDA 93.558,

State Maintenance of Effort (MOE) Requirements

Inaccurate Financial Reporting For Federal Fiscal Year 2004

The Office of Management and Budget A-133 Compliance Supplement states that every fiscal year a state must maintain an amount of “qualified State expenditures” for eligible families. “This is termed ‘basic MOE’ (Maintenance of Effort) and the requirement is based on the Federal fiscal year.” “In addition, expenditures by the State from amounts that originated from Federal funds may not count toward meeting a MOE requirement even if the expenditures ‘qualify’.” Also, federal requirement 45 CFR 265.7 states that agencies must submit a complete and accurate financial report.

Because the Oregon Department of Human Services (department) routinely anticipates that TANF expenditures will significantly exceed the required MOE for any given year, it applies a predetermined funding split to all TANF expenditures made during the year, then makes adjustments to that funding at year end to ensure state expenditures meet, but do not exceed the MOE. For federal fiscal year ended September 30, 2004, the department reported that it met the required MOE of \$91,636,299. However, that amount included funding adjustments the department intended to make, but had not made as of January 2005. Thus, when the department filed its September 30, 2004 federal report, the department’s financial records indicated that actual allowable MOE was approximately \$15.6 million less than what was reported on the federal report.

We recommend department management ensure compliance with state MOE requirements and ensure federal financial reports are fully supported by its financial system. We also recommend that the department ensure that the MOE shortfall of approximately \$15.6 million is resolved using state originated funds.

AGENCY’S RESPONSE:

The department disagrees in part with this finding. We do not believe that there was inaccurate financial reporting for federal fiscal year (FFY) 2004. The department reconciles the Federal ACF-196 report and Statewide Financial Management Application each year. The department believes that the federal report was correct as submitted. For the TANF program, each expenditure does not have to be matched, but MOE needs to be met for each FFY. This gives the states flexibility in how they fund expenditures.

Approximately \$10.8 million of the difference was reported in the accounting records as the State Only General Fund grant, not the TANF MOE grant, although the expenditures qualified as MOE. The remaining expenditures were reported under the TANF grant as federal expenditures, based on the estimated funding split. The expenditures are allowable as MOE, but had not been classified in the accounting system at the time the report was prepared. As described in the finding above, there are timing issues between the accounting system and the federal report.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

The amounts discussed in the finding have been recorded via an adjustment in January 2005. Financial Services is in the process of working with Finance and Policy Analysis (FPA) to improve the MOE recording process including:

- *Establishing a direct working relationship between Accounting staff and other state agencies rather than having FPA as an intermediate step, and*
- *Developing a process where expenditures that qualify as MOE are charged, as expenditures are made, rather than adjusting after the fact.*

04-26

Oregon Department of Human Services

Temporary Assistance for Needy Families (TANF), CFDA 93.558

Questioned Costs \$4,125

The Code of Federal Regulations requires that financial management systems “permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.” This documentation should be complete, accurate, and readily available for examination.

During testing, Oregon Department of Human Services’ (department) staff did not provide sufficient or timely documentation supporting two of the TANF expenditures included in the sample. As a result, we questioned their actual costs totaling \$4,075. In addition, one sample item contained costs that were not allowable under the state plan for TANF. Actual cost for that exception was \$50.

We recommend department management ensure that supporting documentation is readily available for all TANF expenditures in such a form as to allow for subsequent verification and testing.

AGENCY’S RESPONSE:

The Department agrees with this finding. The department provided documentation for all the sample transactions with one exception. Part of the transaction was for \$3,578 and was interfaced into the Statewide Financial Management Application (SFMA) from the Overpayment Recovery system. Because the transactions are summarized at a high level on the interface, detail case numbers are not available. The department has identified the need to address this gap in tracing SFMA transactions to detail information generated by the Overpayment Recovery System. A work group will be established to identify the documentation needs and system/interface issues that need to be addressed.

04-27

Oregon Department of Human Services

Foster Care – Title IV – E, CFDA #93.658

Eligibility

Questioned Costs \$1,150

Branch personnel did not perform the criminal check that was required by Oregon Department of Human Services (department) policy on a timely basis.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Per the code of federal regulations (45 CFR Section 1356.21 (a) and (b)), Office of Management and Budget's Compliance Supplement requirement E.b.1.e., and the related State of Oregon Child Administrative Rule #413-120-0420 (17), a criminal records check must be made of the foster home provider. These references state, "the foster home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents" and "criminal checks for other persons in a household is (a) a person 18 years of age or older who is living in the home; and is not a child or (b) a person assisting in the home to enrich the care provided to children placed in the home."

In six branches tested for compliance, three branches (Hood River, Multnomah Midtown and Lane) did not have criminal checks performed on certain home providers. The total number of files selected for review for all branches amounted to 40 and criminal checks for three home providers were not performed on a timely basis. Specifically, we noted:

1. Lane: A criminal check was not performed on the home provider for the period March 2003 – March 2004. Branch personnel noted in the provider file that the check was not performed. In March 2004 a criminal check was performed and it was determined that the provider was free of criminal activity for the period March 2003-2004.
2. Multnomah: An adult was living in the provider's home for six months without a criminal check being performed by branch personnel.
3. Hood River: The home provider self-reported criminal activity records to Branch personnel. Branch personnel did not perform a follow up to verify the information provided. The foster child lived in the home for the period June 2003 through March 2004 at which time the foster child was returned to its birth parent.
4. Prineville: The October 2003-04 certification, 2003-04 agreement and the criminal check for the adult co-applicant could not be located in the case file. However, the Facis System review performed in October 2003 indicated that these items were in the case file at that time. This exception did not result in questioned costs.

Total payments made to providers in our sample without criminal checks were \$1,150 and the projected likely questioned costs were \$3,050,000. Not complying with the criminal check requirement for adults living in the home exposes vulnerable children to a potentially unsafe environment.

We recommend that department branch personnel adhere to existing policies that require criminal checks be performed prior to a child being placed in a foster home.

AGENCY'S RESPONSE:

The department agrees in part with the finding. The department agrees that three of 40 cases reviewed did not have compliance with department policy. The cases involved failure to document a criminal history check on:

- *A foster parent for an annual re-certification*
- *An adult who moved into a foster home*

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- *An approval of criminal history on a foster parent who self-disclosed a crime*

The department disagrees with the calculated questioned costs. The department is currently in the process of reviewing the Title IV-E program across the state in preparation for a 2005 Federal audit. For any cases identified for non-compliance during the Federal audit, the department must develop a corrective action plan and only the amount of the affected cases is considered questioned cost. The case amounts are not extrapolated over the entire population unless our corrective action does not reduce the errors by the next Federal audit.

Staff from the Federal Planning and Reporting, and Foster Case units are involved in these reviews. The three aspects of IV-E eligibility (financial, legal, and provider certification) are reviewed in an average sample of 15 percent of the branch IV-E eligible cases. To date, nine branches have had internal program reviews. The remaining branches are scheduled for review between January and June 2005.

The department has in place a combination of management and branch office guidance, as well as training to address Federal compliance requirements. Guidance is provided to staff on IV-E compliance issues by Children, Adults and Families management at statewide service delivery area and field child welfare program managers' meetings. The Foster Care Unit also conducts quarterly meetings throughout the state. Central Office staff is invited to these meetings to provide training, answer questions, and give updates on any policy changes. Guidance is also provided to all levels of staff (caseworkers, certifiers, supervisors, and managers) during the internal program reviews.

At each internal review, the reviewers conduct an exit briefing with staff to discuss concerns, and problem-solve ways to correct any findings. The findings are also shared with foster care coordinators, assigned to individual branches, which then follow up with individual case consultation. The branch is asked to respond to each finding and if there are significant concerns, must outline changes to practice that will result in meeting the policy requirements.

The Federal Planning and Reporting Unit and the Foster Care Unit conducted training for supervisors and specialists (consultation, education, and training), for Multnomah, Clackamas, and Washington counties on IV-E compliance. The manager of the Technical Assistance Unit, provides training at the statewide core training for certifiers with emphasis on the need to gain approvals on criminal history prior to placing a child in the home. In addition, Portland State University Child Welfare Partnership, along with staff from the Foster Care Unit, developed a Net-Link training on emergency placements including practice guidelines on obtaining criminal history information.

The above action items have begun and are designed to focus attention on correcting practices that result in non-compliance issues noted from both the Secretary of State Audit and the internal program reviews.

04-28

Oregon Department of Administrative Services

Statewide Central Service Cost Allocation Plan

Agencies Assessed for Central Service Charge Not Included in Cost Allocation Plan

The Oregon Department of Administrative Services (department) is assessing state agencies a total of \$779,678 for the 2003-05 biennium for capitol mall plaza debt service, according to the *State of Oregon 2003-2005 Price List of Goods and Services*. These revenues and the associated costs are not accounted for in the statewide central service cost allocation plan and the department has not instructed state agencies to not charge these payments to federal programs. Office of Management and Budget Circular A-87 states that central service charges omitted from the plan will not be reimbursed.

We recommend the department communicate with agencies to ensure that federal programs were not charged for this assessment for the current biennium. In the future, the department should consider including the capitol mall plaza debt service assessment revenues and expenses in the statewide central service cost allocation plan; if not, the Price List should specifically state that agencies cannot use federal funding to pay the assessment.

AGENCY'S RESPONSE:

The department agrees with this finding. The statewide cost allocation plan was revised for fiscal years 2002 and 2003 to include the capitol mall plaza debt service. These revised financial statements were submitted to the Department of Health and Human Services.

04-29

Oregon Department of Administrative Services

Statewide Central Service Cost Allocation Plan

\$1,000,000 Non-Operating Transfer Reported as an Operating Transfer

The Oregon Department of Administrative Services' (department) Telecommunications program transferred \$1,000,000 to the General Fund during fiscal year 2003. However, a review of the program's narrative and A-87 reconciliation of net assets for the fiscal year, included in the 2005 statewide central service cost allocation plan submitted to the Department of Health and Human Services (DHHS), revealed that the transfer was reported as an operating transfer to the department's Information Resources Management Division. The transfer reduced the A-87 net assets balance rather than the state only net assets. Office of Management and Budget Circular A-87 states that general governmental expenses are unallowable; the transfer should have been reported as a non-operating transfer to the General Fund and the state only net assets for the program should have been reduced in the reconciliation of net assets.

We recommend that the department contact DHHS to determine the required corrective action. Also, when preparing the annual reporting for department programs included in the cost allocation plan, department staff should review transfers out of the programs to ascertain that they have been properly reported in the narrative and in the A-87 reconciliation of net assets.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

AGENCY'S RESPONSE:

The department agrees with this audit finding. The statewide cost allocation plan was revised for fiscal years 2002 and 2003 to report the one million dollar transfer as unallowable and state only net assets was reduced. These revised financial statements were submitted to DHHS.

04-30

Oregon Department of Administrative Services
Statewide Central Service Cost Allocation Plan
Unallowable Payments for Fines, Penalties, Damages, and Other Settlements

In testing a sample of payments transactions for fiscal year 2004 in the Oregon Department of Administrative Services' (department) Liability Insurance program, we found two transactions totaling \$607,034 in court awards, settlements, and legal costs for civil rights violations. According to Office of Management and Budget Circular A-87, attachment B section 16 (issued May 2004), fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the government to comply with laws and regulations are unallowable. Furthermore, per interpretation by the State of Oregon's cognizant agency, the associated legal costs are unallowable as are directly associated costs of the unallowable fines, penalties, damages or settlement costs. As part of its liability self-insurance program, the department reported that \$2,342,089 in payments coded as civil rights violations (or alleged violations) in its subsidiary claims system were made during fiscal year 2003. The department included these payments as allowable costs in the Liability Insurance program's A-87 reconciliation of net assets.

We recommend the department determine the amounts paid for civil rights violations, including directly associated costs, for the fiscal years 2002, 2003 and 2004 as the Department of Health and Human Services (DHHS) has not closed the cost allocation plans for those years. The department should then contact DHHS for further clarification as to whether these costs are allowable. If applicable, the department should submit a restated A-87 reconciliation and any federal reimbursements as required for those years.

AGENCY'S RESPONSE:

The department respectfully disagrees with this finding. However, per the auditor's recommendation, the department will determine the total amount of the subject payments and consult with DHHS regarding final resolution.

04-31

Oregon Department of Administrative Services
Statewide Central Service Cost Allocation Plan
Costs Not Assigned Consistently to Agencies

Office of Management and Budget Circular A-87 requires that statewide central service cost allocation plans assign costs to state agencies on a consistent basis. For the 2003-05 biennium, the Oregon Department of Administrative Services' (department) charges for its three self-insurance programs (Liability, Workers' Compensation, and Property) were

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

calculated at a single agency-level for all agencies except for two, the Oregon Department of Human Services (DHS) and the Oregon University System (OUS). DHS was based on 12 divisions and facilities and OUS was based on the seven schools and higher education management. By doing this, DHS and OUS benefit from being allowed to exclude more than one loss per insurance program as part of the calculation of their charge, while all other state agencies are only allowed one exclusion per insurance program. As a result, we estimate that DHS was undercharged \$1,324,965 (\$1,076,713 for Liability, \$192,814 for Workers' Compensation, and \$55,438 for Property) for the biennium. We did not estimate the amount OUS would have been undercharged. The other state agencies would have been overcharged, in total, by the amounts that DHS and OUS were undercharged for the three insurance programs.

Likewise, we found that DHS was treated as seven entities (the Director's Office and six divisions) for the 2003-05 biennial assessment for the E-Government program within the department's Computer Services program. The statewide cost allocation plan and *State of Oregon 2003-2005 Price List of Goods and Services* state that the assessment is at the agency level. The result of not assessing DHS as a single agency was an over-assessment of \$253,915 for DHS for the biennium while 37 agencies (agencies with 50 or more FTE) were each under-assessed \$6,863 for the biennium.

We recommend the department revise the biennial allocation process to conform to the cost allocation plan and determine the amounts billed at the agency level in order for all agencies to be treated on a consistent basis.

AGENCY'S RESPONSE:

The department agrees with this audit finding. The department is currently making adjustments to bill DHS as one agency in the 2007-2009 state fiscal period.

04-32

Oregon Department of Administrative Services
Statewide Central Service Cost Allocation Plan
Services Billed Not Based on Usage or Usage Not Supported

Our testing of revenues for the Oregon Department of Administrative Services' (department) Computer Services program revealed that there were services billed to state agencies that were not based on usage or for which usage was not adequately documented. Also, costs and other data used to distribute costs should adequately support the propriety of the amounts billed to users. Due to a lack of software capability, agencies are billed for data storage in the Burns Archive Center based on data transferred to the center rather than the amount of data stored. Additionally, state agencies were charged a monthly amount for BRIO use from April 2003 through January 2004 equal to the amount, based on actual use, charged for March 2003. We also found that for other services billed, including tape charges and disk space, the Information Resources Management Division could not provide adequate documentation for the billing units underlying the amounts billed to state agencies. Office of Management and Budget Circular A-87 requires that billed services be related to the benefits received.

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

We recommend the department implement procedures to ensure that agencies using services provided by its Computer Services program are billed based on actual use of the service and that adequate documentation is retained to support the amounts billed to those state agencies.

AGENCY'S RESPONSE:

The department agrees with this audit finding. Beginning January 2005, the department will charge Burns Archive Center users for storage and transport costs using currently available data. By early in the 2005-2007 state fiscal period, the department will install CIMS account management software and upgraded archiving software to provide more stable and accurate measurement of utilization and improved cost allocation.

DEPARTMENT OF EDUCATION

04-33

**Oregon Department of Education
Improving Teacher Quality State Grants, CFDA #84.367
Maintaining Level of Effort**

During our review of the Improving Teacher Quality State Grant, we found that the Oregon Department of Education (department) has not been monitoring Local Education Agencies (LEA) to ensure they maintain the proper fiscal level of effort. The department reported expenditures of approximately \$21.2 million for this program during fiscal year 2004. The majority of these funds were disbursed to 178 LEAs. The department manager in charge of this program indicated she was not aware this requirement was applicable to this specific program.

Office of Management and Budget Circular A-133 requires the department to reduce the amount of the allocation of federal funds in the same proportion by which the LEA falls below the required level of effort. Without a monitoring function in place, the department is unable to determine whether a reduction of funds is necessary.

We recommend the department comply with the federal requirement and monitor LEAs to ensure that the proper level of effort is maintained.

AGENCY'S RESPONSE:

We agree with the finding. As indicated in the finding, the department manager in charge of this program was unaware that monitoring maintenance of effort was required for this specific program. This occurred because of turnover in staffing for the program. We will take the following corrective actions:

- We will comply with the federal requirements and monitor local education agency expenditures to ensure that the proper level of effort is maintained.*
- Monitoring will be done jointly by staff of the Office of Finance and Administration (OFA) and the Office of Educational Improvement and Innovation (EII) within the department.*

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- *Based on the expenditures reported by the district to the OFA, the EII will determine district compliance with maintenance of effort requirements. Annual allocations to districts will be adjusted accordingly.*
- *We will begin review of 2001-2002 and 2002-2003 non-federal expenditure information for recipients of Teacher Quality Grants immediately.*
- *To ensure that we are properly monitoring all federal grants, we will implement a review of all federal programs, identify those that have maintenance of effort requirements, assign responsibility to the appropriate staff, and update position descriptions to reflect the responsibility.*

Section IV – Schedule of Prior Financial Statement Findings for the Years Ended June 30, 2003 and 2002

This section includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2003. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2002 that were uncorrected at June 30, 2003.

**Finding 03-1: General Accounting and Internal Control Weaknesses
(Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) should develop and implement policies and procedures to ensure that all accounting transactions are appropriately authorized, justified, documented and reviewed for accuracy and compliance with federal requirements. Department management also should ensure that sufficient resources are allocated to timely address information technology security risks.

Status: Partial corrective action was taken.

Corrective action was taken to address weaknesses and to ensure consistency in documentation. The Office of Financial Services partnered with internal audit staff and provided training on sufficient/reliable documentation for transactions. We are monitoring our documentation process to ensure that all accounting transactions are appropriately authorized, justified, documented, and reviewed for accuracy and compliance with federal requirements. We have several projects still in process relating to Federal CMS-64 and other grant accounting, and inventory control. We also are evaluating our processes and accounting for projects using Advance Planning Documents (enhanced federal match). Refer to Finding 02-7 for department's actions to address information technology security risk.

Finding 03-2: Classification of Expenditures

Recommendation: The Oregon Department of Corrections (department) should develop a more descriptive chart of accounts for its internal accounting system. The chart of accounts should provide clear guidance to accounting staff regarding which accounts should be used to ensure that their balances are recorded into appropriate Statewide Financial Management Application accounts. We also recommend that department management design and implement controls to ensure more effective transaction error prevention and detection.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Status: Partial corrective action was taken:

- An accountant has been assigned to review and revise the chart of accounts to provide adequate description and organization of this document. This revised chart of accounts has been developed and is in a review process prior to being implemented. It is expected to be in place by March 1, 2005.
- An accountant has been assigned to review and identify all material accounts (cumulative balance of \$5.0 million or greater) as part of pre-closing review and year-end accounting activities. All entries that had been misclassified during fiscal year 2004 were identified and were reclassified by the close of Month 13. This process will be repeated annually.
- The department has established and filled the Statewide Business Coordinator position. The Coordinator is now providing technical assistance to cost center managers department wide. A portion of this technical assistance is related to appropriate classification of both contracts and purchase requests at the beginning of the process so that subsequent accounting corrections can be minimized.

Finding 03-3: **Expenditure Decision Authority**

Recommendation: The Oregon Department of Corrections (department) should develop and implement policies and procedures to ensure that a more accurate and complete record of formal delegation of expenditure authority is maintained. In addition, department management should reevaluate the delegated authority it has given to subordinates to ensure that it is justified and adequate. Furthermore, department management should ensure that these controls are periodically monitored to promote or validate compliance.

Status: Corrective action was taken.

Finding 03-4: **Payroll**

Recommendation: The Department of Corrections (department) should fully comply with internal controls over payroll as outlined in the *Oregon Accounting Manual* (OAM). Specifically, department management should ensure that important payroll functions are appropriately separated; gross pay adjustment reports are timely reviewed by managers outside of the payroll unit and are retained as required; reconciliations are performed timely; and authorization forms for voluntary payroll deductions are completed and retained. We also recommend that the department develop and implement formal procedures to ensure payroll data is completely and successfully

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

transferred to internal and external accounting systems. In addition, department management should ensure supporting documentation is available for all payroll transactions and employees sign timesheets as required.

Status: Partial corrective action was taken.

Payroll areas under Human Resources:

- Payroll will train the Personnel Records unit to sort and disburse the paychecks and stubs rather than doing it themselves. This should be accomplished by March 1, 2005.
- The Payroll Manager will continue to work with the employee reviewing the reports to train them to recognize anomalies and question them. If this staff is unable to review reports in a timely manner the duty will be shifted to another management service employee. This is currently in progress.
- The Payroll Manager has taken steps to ensure that reports are filed in the appropriate places in a timely manner so as not to be misplaced. The Payroll Manager will continue to monitor this to ensure it is done.
- The Payroll Unit's procedure is to only enter voluntary deductions to the payroll system which are authorized in writing by the employee. The Payroll Manager will follow up on the possibility of misfiled authorization forms.
- This is an ongoing problem occurring in the security units that are staffed 24 hours per day. Timekeepers for these units have to send many unsigned copies of timesheets to the payroll unit to meet data entry deadlines. The timekeepers are required to obtain the missing signatures on the original timesheets and send them to the Payroll Unit as soon as possible. Some security units do not follow up timely. The department concurs with the need to establish an agency policy on unsigned timesheets.

Specific to Fiscal Services Data Processing:

- The department has a draft of the payroll interface process.
- The Accounting staff have now been trained in appropriate documentation of accounting entries per OAM Policy 10.15.00.PO. The department's controller now reviews all accruals and prior period adjustments to ensure that adequate documentation exists.

Finding 03-5: **Segregation of Duties and Logical Access to Accounting Systems**

Recommendation: The Oregon Department of Corrections (department) should develop, document and implement policies and procedures to ensure

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

accounting responsibilities are appropriately segregated. Specifically, management should ensure adequate separation of authorization for the execution of transactions, recording of transactions, custody of assets, and periodic reconciliation of existing assets to recorded amounts. In addition, management should ensure that individuals performing financial system security functions do not have conflicting accounting duties or responsibilities for monitoring and validating logical access, to ensure those functions are independently performed. In addition, the department should review and adjust logical access to its financial system on a case-by-case basis to ensure that users' access is based on a demonstrated need to view, add, change or delete data.

- Status: Partial corrective action was taken.
- Information concerning internal controls and segregation of duties has been distributed to Fiscal Services managers. Roles based security has been developed for accounts payable, accounts receivable, and general ledger and will continue to be developed for remaining Automated Financial Accounting Manufacturing Inventory System (AFAMIS) modules through the upgrade process.
 - Fiscal Services has increased cross training to compensate for lower staffing levels.
 - Information concerning security roles, and a policy and procedure for review of security assigned to staff by managers throughout the department is in developmental stages.
 - The hiring of the new Fixed Asset accountant has allowed the department to separate the AFAMIS Technical Support team from their previous responsibilities of recording, depreciating, and conducting inventory and fixed asset audits.

Finding 03-6: Fee Accruals for Fiscal Years 2003 and 2002

Recommendation: The Oregon Department of Parks and Recreation should establish and implement procedures that assign responsibility for performing the revenue accruals at year-end. These procedures should also assign responsibility for reviewing the accrual calculations to ensure that they are properly prepared and posted to the agency's accounting system and to the Statewide Financial Management Application.

Status: Corrective action was taken.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Finding 03-7: Controls Over Cigarette Tax Program

Recommendation: The Oregon Department of Revenue (department) should further evaluate and revise its system of controls over the cigarette tax program as previously recommended. The department's controls should ensure, at a minimum, that tax stamps are physically secure; key duties are separated; documentation is completed and retained regarding tax stamp purchases and destruction; staff perform a periodic inventory of the cigarette tax stamps; and bonding requirements meet administrative rule requirements and are periodically validated.

Status: Partial corrective action has been taken. Corrective action has been completed on all recommendations, except item two below. Processes have been re-engineered to strengthen internal controls and security. Corrective action on the remaining item will be completed by November 2004 when an agreement with a third party vendor is expected to be complete. The vendor will handle the storage, inventory maintenance and order-filling processes. The status of each recommendation is listed below.

- Appropriately segregate key duties relating to the maintenance and record keeping of cigarette tax stamps. Corrective action is complete.
- Adequately limit physical access to the tax stamps. Controls to limit physical access to the tax stamps have been improved; however, the final solution will be implemented upon transfer of inventories to a third party vendor. This is expected to occur in November 2004.
- Maintain adequate documentation of inventory records and records of destroyed stamps. Corrective action is complete.
- Develop sufficient policies and procedures to ensure compliance with *Oregon Administrative Rules* relating to bonding levels for purchasers of cigarette tax stamps. Corrective action was completed with development of *Oregon Administrative Rule 150-323.100*, effective July 31, 2004.
- Ensure that cigarette tax order forms contain all of the necessary information. Corrective action has been completed.
- Maintain supporting documentation for the sale of cigarette tax stamps. Corrective action has been completed.

Finding 03-8: Headquarters Point of Sale (POS) Reconciliation

Recommendation: The Oregon Department of Fish and Wildlife (department) should strengthen its controls over cash receipts by reconciling cash register

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

sales to the licensing system to ensure that all cash receipts have been properly accounted for.

Status: Partial corrective action was taken.
The department has separated the use of two cash registers within the Licensing Division located at the Salem headquarters office. The first register is exclusively used for walk-in customers and cash transactions. This will provide for regular reconciliations between this register and the POS system. The second register will be used for mail orders and faxes being received. The daily revenue of this register is balanced on a daily basis and the Licensing Sales Supervisor is reviewing and approving daily cash reconciliations. Due to the timing of the receipt of monies and the processing and distribution of the actual document, reconciliation between the register and the POS licensing system is extremely difficult. The department has assigned an accountant for whom reconciling the POS licensing system is one of their primary duties. This individual is currently working with our Information Services Division to review the current system and identify necessary improvements and the fiscal impact of reprogramming the current cash register system and/or the POS system to provide increased reconciliation functions. It has been determined that the reprogramming of the existing system would not be cost effective. The department is currently in the process of finalizing a Request for Proposal for a new point of sale system. *See finding 02-3.*

Finding 03-9: **Point of Sale (POS) Canceled Document Process**

Recommendation: The Oregon Department of Fish and Wildlife should develop a comprehensive system of reviewing voided/canceled documents received from POS licensing system agents.

Status: Corrective action was taken. *See finding 02-2.*

Finding 03-10: **Controls over Financial Reporting**

Recommendation: The Oregon Department of Forestry should:

- Fully develop, document and implement policies and procedures over financial reporting.
- Establish a delegation of duties at the program and district level.
- Update position descriptions to reflect current staffing.
- Establish and implement risk assessment process to identify, analyze and manage risks.
- Monitor internal controls at the district level.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- Update or develop desk manuals.
- Modify the cash receipting process and establish controls to ensure compliance with the *Oregon Accounting Manual* regarding cash receipting.
- Fully document evidence of the reconciliation process, including preparer and reviewer initials and the date prepared and reviewed.
- Consider filling the internal audit position or developing compensating controls.

Status:

Partial corrective action was taken. *See finding 02-4.*

- We are in the process of updating all of our fiscal policies and procedures. Most of these have either been implemented or are in the final review process before implementation. We have also added new policies on internal controls that address many of the deficiencies noted in the findings above. These will be fully implemented by December 2004.
- We have filled our Internal Audit position. The Director of Quality Assurance will be reviewing the agency's internal controls and will be implementing many new procedures to strengthen them.
- One of the new policies we've written is Internal Controls-Cash. This policy outlines the responsibilities of those employees with access to cash or cash transactions and outlines the requirement for surprise reviews of the procedures being used by holders of cash funds, change funds and cash receipts. These reviews will be a part of a larger review of each office that handles fiscal transactions and will take place on a rotating basis with each office being reviewed at least yearly.
- All position descriptions (PDs) in Business Services have been updated within the last year and will continue to be updated at each yearly employee evaluation.
- Every position in Business Services has a desk manual in place. These will be updated on an as needed basis. A review of the desk manuals is done by each manager on a regular basis.
- The PD and desk manual of each position that handles cash will be checked as part of the fiscal review mentioned above.

Finding 03-11:

Contracting

Recommendation:

The Oregon Department of Forestry (department) should:

- Establish policies and procedures for the preparation and approval of payment documentation, monitoring activities, and overall contract administration responsibilities.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- Provide training to staff assigned with contract administration responsibilities addressing basic principles of state contracting rules and responsibilities of contract administrators.
- Ensure payments are made timely, calculated correctly, have adequate supporting documentation, and are posted to the accounting records correctly.
- Monitor internal controls to ensure compliance with department guidelines and state statute.
- Ensure that state funds are used appropriately.

Status: Partial corrective action was taken. *See finding 02-5.*

- We are in the process of rewriting all of our contracting policies and procedures. We are incorporating the new requirements of *Oregon Revised Statute (ORS) 279* and the implementation of the new Oregon Procurement Information Network (ORPIN). This will be completed by October 2004.
- We are scheduling contract training for the spring of 2005. This training will coincide with the implementation of the ORS 279 rewrite and its associated Oregon Administrative Rules. Training will include ORPIN and the new procurement directive.
- The agency has filled its contracting specialist 2 position, which has the lead for the procurement training.
- Monitoring for compliance will be incorporated into the upcoming training and the procurement directive that is currently being revised. These will also be coordinated with the new ORPIN system that is scheduled for implementation in October 2004.
- The agency has begun a review of the process of procuring and paying for emergency fire situations.

Finding 03-12: **Payroll**

Recommendation: The Oregon Department of Forestry (department) should improve controls over payroll including:

- Providing sufficient oversight and adequately segregating payroll responsibilities.
- Performing a thorough review and approval throughout the payroll process.
- Developing and implementing policies and procedures in compliance with the *Oregon Accounting Manual* and *Oregon Revised Statutes*.
- Taking appropriate action regarding department managers' intentional override of controls.

Status: Partial corrective action has been taken.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

The agency has designed and implemented a standardized training program for all staff that process payroll. The training is designed in two modules to include the duties/processes done for that level employee. The first series of classes have been completed, with approximately one-half of the agency's payroll technicians attending. The training schedule will continue in the fall, after the completion of fire season. All agency staff that performs any payroll related duties are required to attend the necessary sessions, and will be expected to attend all annual updates.

The agency has developed a standardized records review process, and has begun onsite visits. During the review, particular attention is given to the following areas:

- Security and confidentiality of employee's records and files.
- Ensuring that access to confidential information is restricted and appropriate.
- Reviewing the location's archiving and retention process for payroll documents.
- What the process is for review and approval of time sheets, corrections to completed time sheets, and the documentation necessary for changes.

Payroll reports are reviewed each pay period for accuracy and appropriateness of the transaction. The originating office is contacted if there are any questions, or for clarification, and a random number of locations are contacted to provide the copies of the supporting documentation.

New processes are in place for the following payment types:

- The granting, application, and tracking of discretionary leave,
- The payment and approval for payment of vacation time,
- The reporting and tracking of military leave, and
- The use and documentation for miscellaneous paid leave use.

A database program has been created, and is in use for this fire season, to track, record, and accurately calculate payroll information for the agency's Administratively Determined employees. This includes standardizing the information entered into the Oregon State Payroll Application system.

The policy, procedures, and administrative guidelines are in the process of being updated and modified to reflect the department's current processes. This is an ongoing process, with drafts in review. Once the documents are updated, an annual review schedule will be set.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Finding 02-1: User Access Management

Recommendation: The Oregon Department of Corrections should implement a process to periodically review and monitor users' access privileges and activity to ensure that it is appropriate.

Status: Partial corrective action was taken.

- User access system wide in the Automated Financial Accounting Manufacturing Inventory System (AFAMIS) has been reviewed and weaknesses identified during the AFAMIS information technology audit have been addressed and resolved.
- Individuals who prepare payment no longer have the ability to authorize or release payments.
- A procedure and mechanism for management review of security is in development.

Finding 02-2: Point of Sale Canceled Document Process

Recommendation: The Oregon Department of Fish and Wildlife should develop a comprehensive system of reviewing canceled documents and ensure that all required information is received from licensing agents.

Status: *Please refer to finding 03-9 for the status of this finding.*

Finding 02-3: Headquarters Point of Sale (POS) Reconciliation

Recommendation: The Oregon Department of Fish and Wildlife should strengthen its controls over cash receipts by reconciling cash register sales to the POS licensing system to ensure that all funds have been properly accounted for.

Status: *Please refer to finding 03-8 for the status of this finding.*

Finding 02-4: Controls over Financial Reporting

Recommendation: The Oregon Department of Forestry should: fully develop, document and implement policies and procedures over financial reporting, develop a risk assessment process to identify, analyze and manage risks; follow established policy regarding contracting and cash receipting, ensure that all staff at the district and program level have a clear assignment of duties; update position descriptions and ensure that all employees are adequately trained to perform their assigned duties and responsibilities; and consider filling the internal audit position or develop compensating controls.

Status: *Please refer to finding 03-10 for the status of this finding.*

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Finding 02-5: Contracting

Recommendation: The Oregon Department of Forestry (department) should further develop policies and procedures over its contracting activities to ensure that files are complete and up-to-date, work is independently reviewed, and payments are tied to specific contracts, calculated and posted correctly, and made in a timely manner. In addition, the department should correct errors identified during the audit.

Status: *Please refer to finding 03-11 for the status of this finding.*

Finding 02-6: Timber Sales and Transfers to Counties

Recommendation: The Oregon Department of Forestry (department) should establish controls to ensure that revenue is recognized in the correct period and the calculation of payments to counties is accurate and follows statute. Those controls should include, at a minimum, written instructions, training and independent review of the work performed. In addition, the department should determine the total amount of revenue distributed to counties in error and seek reimbursement.

Status: Partial corrective action has been taken.

- We have corrected our method of revenue recognition for timber revenues. We accrue revenues due to the counties in the year in which the revenues were earned.
- We have corrected the procedures and formulae for calculation of amounts due to the counties. We have reached partial agreement with all counties except two on the repayment of the amounts due to the department and have formal written intergovernmental agreements with two counties, Washington and Benton. We will be implementing these repayment agreements this quarter.

Finding 02-7: Logical Access Controls (Material Weakness)

Recommendation: The Oregon Department of Human Services (department) should develop and implement both long-range and short-range plans to improve security controls over its computer applications. Those plans should fully address the computer security issues outlined in the following reports issued by the Oregon Secretary of State:

- Report No. 2001-23, Oregon Department of Human Services, Food Stamp Management Information System - Application Controls Review.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- Report No. 2001-37, Oregon Department of Human Services, Security Controls for Computer Applications and its associated confidential report.
- Report No. 2001-55, Oregon Department of Human Services, Evaluation of General Computer Controls.

Status: Partial corrective action was taken.
The department has implemented policies, procedures, and programs that have addressed the issues stated in the audit. The department is addressing the outstanding issues through the Business Continuity Plan project, Identity Management and Access Control Project, Role Base Access Control project, Incident Response project, Data Classification policy, and Assessment Action Plan project. The department is participating in numerous state committees to develop statewide strategies addressing many of the issues identified in this audit.

Finding 02-8: **General Accounting Internal Control Weaknesses
(Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) should develop and implement policies and procedures to ensure that all accounting transactions are appropriately authorized, justified, documented, and reviewed for accuracy and compliance with federal regulations prior to initiation and finalization. We also recommend that the department separate payment calculation and expenditure authorization functions for proportionate share incentive adjustment payments.

Status: Partial corrective action was taken.
The Department of Audit and Consulting Services provided training to Financial Services staff on appropriate documentation requirements for transactions. Also, the State Controller's Division issued a new policy Oregon Accounting Manual (10.15.00.PO) on transaction documentation requirements, effective December 1, 2004. The department has discontinued proportionate share incentive adjustment payments while in negotiations with the Centers for Medicare and Medicaid Services.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section V – Schedule of Prior Federal Awards Findings and Questioned Costs for the Years Ended June 30, 2003 and 2002

This section includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2003. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2002 that were uncorrected at June 30, 2003.

Finding 03-13: **Social Services Block Grant, CFDA 93.667**
 Insufficient Documentation of Expenditures
 Questioned Costs Total \$8,617,513

Recommendation: The Oregon Department of Human Services should implement procedures that ensure SSBG cost allocation transactions agree to supporting documentation and ensure that all transactions are supported by documents indicating when expenditures occurred, the specific goods or services provided, amounts expended for those services and other information necessary to determine compliance with federal funding requirements.

Status: Corrective action was taken.

Finding 03-14: **Social Services Block Grant, CFDA 93.667**
 Cash Management

Recommendation: The Oregon Department of Human Services (department) should ensure that all SSBG draws for Federal reimbursement are traceable to supporting documentation. Supporting information should be readily available, fully documented, and verifiable for compliance purposes.

Status: No corrective action was taken. The department disagrees with this finding. This grant is a reimbursement grant and revenues are drawn from the federal government after the expenditure is made. There is no time limit to when the amounts are drawn as long as they are expended within the time limit, and drawn while the grant is still available on the Division of Payment Management, Smartlink Payment Request System. We have detailed analysis on the SSBG revenue and expenditures for those prior fiscal years that fully support the increased draw amount.

Auditor Comment:

The department has not supplied evidence that the draws in question are supported by eligible expenditures. The United States Public

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Health Service is currently looking into the matter and has not issued a resolution.

Finding 03-15: **Medicaid Cluster, Expenditure Allowability**
Questioned Costs total \$45,560,309 for payments made during state fiscal year 2003

Recommendation: The Oregon Department of Human Services (department) should fully comply with 42 CFR 447.272.

Status: There has been no final resolution. Due to a decreasing adjustment made on the federal expenditure report for the quarter ended June 30, 2003, Centers for Medicare and Medicaid Services (CMS) considers the remaining deferral amount to be \$21,222,635. The department is currently in negotiation with CMS regarding the proportionate share incentive adjustments.

Finding 03-16: **Medicaid Cluster**
Cash Management

Recommendation: The Oregon Department of Human Services (department) should develop and implement procedures or methods for documenting its daily draw process to ensure that supporting records are readily available, fully documented, and verifiable for compliance purposes. In addition, we recommend that the department make arrangements with the U.S. Department of Health and Human Services to address the amount overdrawn.

Status: Corrective action was taken.

Auditor Comment:
The department reported corrective action was taken as the status of this finding. We do not agree with the department's stated resolution. The department is still in negotiation with the Centers for Medicare and Medicaid Services National Institutional Reimbursement Team regarding the \$45.5 million that we questioned.

Finding 03-17: **Medicaid Cluster**
Reporting

Recommendation: The Oregon Department of Human Services (department) should implement procedures to ensure that actual total expenditure amounts are reported on the quarterly CMS-64 reports as required by

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

Federal regulations. In addition, the department should correct and resubmit CMS-64 reports submitted in error.

Status: No corrective action was required. We continue to improve and to educate others on the process for reporting on the CMS-64, especially since we now report on Oregon Department of Human Services and Oregon Youth Authority (OYA) instead of seven divisions and OYA. The department reports actual expenditures on its CMS-64. Actual expenditures in the state accounting system are reconciled to what is reported on the CMS-64. If a disallowance is received from U.S. Department of Health and Human Services, we report that amount on the CMS-64 as a prior period adjustment for the quarter the disallowed expenditures occurred.

Auditor Comment:

The auditee reported no corrective action was required. We do not concur. We noted the same issue during fiscal year 2004. As a result, we are reporting the current year finding at 04-22.

Finding 03-18: **Medicaid Cluster, Matching, Questioned Costs Total \$1,314,071**

Recommendation: The Oregon Department of Human Services should evaluate its procedures for ensuring that federal participation rates are consistently applied to Medicaid expenditures.

Status: Corrective action was taken.

Finding 03-19: **Section 8 Housing Assistance Payments Program, CFDA 14.195 Cash Management**

Recommendation: The Oregon Housing and Community Services Department should reevaluate its processes and make modifications as necessary to ensure funds are disbursed by the business day following receipt by the Oregon State Treasury.

Status: Corrective action was taken.

Finding 03-20: **Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557, Subrecipient Monitoring**

Recommendation: The Oregon Department of Human Services should:

- Develop a comprehensive and practical schedule for local agency program reviews for the next several years;

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

- Consider combining the operational and fiscal reviews for efficiency; and,
- Submit the proposed schedule to the United States Department of Agriculture for approval, requesting an exception to established guidelines based upon the specific situation facing the Oregon Women, Infants, and Children program.

Status: Corrective action was taken.

Finding 03-21: **Temporary Assistance for Needy Families (TANF), CFDA 93.558 Cash Management**

Recommendation: The Oregon Department of Human Services (department) should develop and implement procedures or methods to ensure compliance with documentation requirements for cash draws for TANF expenditures. The department's records should be readily available and verifiable for compliance purposes. We also recommend that the department take action to ensure that the \$3.5 million drawn in excess is resolved with the Federal agency and all requirements of the Treasury-State cash agreement satisfied.

Status: Corrective action was taken.

Auditor Comment:

The auditee has reported corrective action was taken. We do not concur. We noted the same issue during fiscal year 2004. As a result, we are reporting the current year finding at 04-20.

Finding 03-22: **Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.959, Level of Effort**

Recommendation: The Oregon Department of Human Services should apply for a federal waiver, which would exempt them from the Maintenance of Effort requirement for state fiscal year 2003.

Status: Corrective action was taken.

Finding 03-23: **Workforce Investment Act Cluster Cash Management Authorizations**

Recommendation: The Oregon Department of Community Colleges and Workforce Development (department) should improve controls over transaction authorization and supervisory review.

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

Status: Partial corrective action was taken.

The department has divided the duties and responsibilities of the Fiscal staff to assure that all transactions are sufficiently reviewed and authorized including an appropriate level of supervisory review. However, not all regions are in compliance with this requirement. Also, the department has implemented proper segregation of duties to assure compliance with the Office of Management and Budget's cash management requirements.

Finding 03-24: **Workforce Investment Act Cluster
Earmarking/Reporting**

Recommendation: The Oregon Department of Community Colleges and Workforce Development (department) should continue its efforts to correct the accounting system and revise federal reports to accurately reflect program expenditures. We also recommend that the department continue to work with subrecipients to correct errors in reported amounts.

Status: Partial corrective action was taken.

The department is continuing its efforts to track and reconcile the noted expenditures, therefore only partial corrective action has been taken.

The department believes it has identified the funding streams that need to be aligned in the proper reporting period. Currently, staff is in the process of verifying the proper alignment and to establish a revised accounting structure to assure the accuracy and documenting of future expenditures.

Finding 03-25: **Capitalization Grants for Drinking Water State Revolving Fund,
CFDA 66.468, Matching**

Recommendation: The Oregon Economic and Community Development Department should deposit funds into the revolving fund to meet the 20 percent match requirement and develop a match deposit schedule with documented procedures for updating the schedule upon receipt of each new grant agreement.

Status: Corrective action was taken.

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Finding 03-26: Capitalization Grants for Drinking Water State Revolving Fund, CFDA 66.468, Environmental Review

Recommendation: The Oregon Economic and Community Development Department should strengthen policies and procedure to ensure that environmental reviews are completed prior to loan-funded project work beginning.

Status: Corrective action was taken.

Finding 03-27: Child Nutrition Cluster Fiscal Action Plans

Recommendation: The Oregon Department of Education should implement procedures to ensure that fiscal action plans are enforced.

Status: Corrective action was taken.

Finding 02-10: Child Nutrition Cluster Monitoring of Food Service Program

Recommendation: The Oregon Department of Education should require specific program information from all School Food Authorities that discloses or affirms that the school food service programs are promptly accounted for.

Status: Partial corrective action has been taken.
The Oregon Department of Education/ Child Nutrition Programs (ODE/CNP) has implemented the following corrective action:

2003-2004 – ODE/CNP will send a letter to private schools and residential child care institutions requesting 2003-04 fiscal data. Non-responders will receive a follow-up letter. ODE/CNP will withhold payment of claims if fiscal data is not received by the due date.

2004-2005 – ODE/CNP will collect financial data as part of the yearly program renewal process. Sponsors will not be approved for participation, in the program, if the data is not received. Exceptions are sponsors with a fiscal year that does not correspond to the states fiscal year. These sponsors will be recorded. They will submit their data at a later date (This group will be delayed.)

**State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

Finding 02-12: **Medicaid Cluster
Expenditure Documentation and Allowability**

Recommendation: The Oregon Department of Human Services (department) should fully comply with 42 CFR 447.272.

Status: No resolution at this time. The department is currently in negotiation with Centers for Medicare and Medicaid Services regarding the proportionate share incentive adjustments.

Finding 02-14: **Medicaid Cluster
ADP Risk Analysis and System Security Reviews**

Recommendation/Status: Please refer to finding 02-7 for the recommendation and status of this finding.

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

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

Directory of Key Officials

STATE AUDITOR	Cathy Pollino, CGFM, MBA
Deputy State Auditor	Charles A. Hibner, CPA
Deputy State Auditor	Mary E. Wenger, CPA

This report, which is a public record, is intended to promote the best possible management of public resources.

If you received a copy of an audit report and no longer need it, you may return it to the Audits Division. We maintain an inventory of past audit reports. Your cooperation helps us save on printing costs.

Oregon Audits Division
Public Service Building
255 Capitol Street NE • Suite 500
Salem, Oregon 97310

We invite comments on our reports through our Hotline or Internet address.

Ph. 503-986-2255
Hotline: 800-336-8218
Internet: Audits.Hotline@state.or.us

<http://www.sos.state.or.us/audits/audittp.htm>

Auditing to Protect the Public Interest and Improve Oregon Government

