



Secretary of State Audit Report

Oregon Department of Veterans' Affairs: Enhancement and Expansion of County Veterans' Services

Summary

PURPOSE

Our audit had two objectives. The first was to determine whether the Oregon Department of Veterans' Affairs (department) appropriately distributed state funds to counties for the enhancement and expansion of services to veterans. The second was to determine whether selected counties expended those funds in compliance with governing statutes and administrative rules. We limited our review to funds the department distributed during fiscal year 2006 and the first quarter of fiscal year 2007.

BACKGROUND

The 2005 Legislative Assembly directed the establishment of a new program to enhance and expand the services provided by county veterans' service officers. To fund the new program, the Assembly appropriated \$2.6 million to the department for the 2005-2007 biennium. In creating the program, the Assembly prohibited counties from using the enhancement and expansion funds to supplant county funding support for services to veterans.

In administering the program, the department required counties to submit an action plan and quarterly reports. In addition to establishing reporting requirements, in December 2006 and January 2007 the department audited how three counties, which we did not include in our review, used enhancement and expansion funds. Also, while our fieldwork was underway, the department performed a supplanting analysis for the remaining counties not included in our review.

RESULTS IN BRIEF

We found that, through the first quarter of fiscal year 2007, the department appropriately distributed enhancement and expansion funds to counties. Moreover, the methodology and formula it used to calculate the annual distributions to counties complied with statutory requirements and administrative rules. However, our review of practices and documentation in nine counties identified

several instances that appeared to violate statutes or impaired accountability over the use of enhancement and expansion funds. Examples included weaknesses in accounting for enhancement and expansion funds, poor contracting practices, and supplanting. As a result, we question whether counties consistently expended enhancement and expansion funds in compliance with statutes and rules, and achieved the purposes for which the funds were provided.

County officials are responsible for properly accounting for enhancement and expansion funds, expending the funds in accordance with statutes and administrative rules, and maintaining adequate supporting documentation that can be used to verify the accuracy of the data they report to the department. However, the department also has responsibilities for administering enhancement and expansion funds, which go beyond the appropriate distribution of those funds. We found that by better aligning the county reporting function with program monitoring needs, providing additional guidance to counties, strengthening the steps taken to identify supplanting, and establishing performance outcome measures for the use of enhancement and expansion funds, the department can more readily determine and more clearly demonstrate the extent to which county expenditures of enhancement and expansion funds comply with statutes and are achieving intended results.

RECOMMENDATIONS

We recognize the challenges that come with implementing a new program and view our audit as an opportunity for the department to make early improvements in the administration of the county veterans' service enhancement and expansion program. To that end, **we recommend** that the department take the following actions:

- Improve the county reporting function to more effectively support program-monitoring needs. In addition, the department should consider requiring counties to periodically submit supporting documentation for selected unusual expenditures.

- Provide additional guidance to counties regarding the minimum requirements necessary to adequately account for the enhancement and expansion funds. Also, define the minimum contracting practices that counties must follow when appointing a third party to deliver services typically provided by a County Veterans' Service Officer.
- Continue with efforts to establish a formal and consistent approach for determining whether counties have supplanted county resources with enhancement and expansion funds. In addition, review all supplanting analyses done to date in connection with the enhancement and expansion program and determine whether conclusions need to be revised to be consistent with the established approach before applying any potential consequences to counties for supplanting county resources with enhancement and expansion funds.
- Create and implement performance outcome measures for each county based on planned use of the enhancement and expansion funds. Consider developing the outcome measures in consultation with county officials.
- Follow up on issues identified at the county level, which included weaknesses in accounting, poor contracting practices, and supplanting, and assure that county officials take timely corrective action.
- Consider continuing the department audit function, with the frequency, extent, and selection of audits based on the risks that remain after the department has addressed the recommendations included above.

OTHER MATTER

During the course of our audit, we noted the following issue that, although not within the scope of this audit, warrants management's consideration. In some instances, the methods counties used to capture and report data to the department appeared to impair their ability to perform this function accurately. Moreover, inefficient data collection and reporting processes can result in increased time away from client workloads for county staff. Although counties are responsible for submitting accurate data to the department, statutes that govern the enhancement and expansion program funds direct the department to facilitate the coordination of computer systems to ensure the seamless transfer of information. Department officials indicated that, despite funding challenges, they have taken some steps to address this directive.

RECOMMENDATION

We recommend that the department continue exploring potential cost-effective data-reporting tools that meet both department and county needs.

AGENCY'S RESPONSE

The Oregon Department of Veterans' Affairs generally agrees with the recommendations, which it intends to use to improve the accuracy of information reported by counties and strengthen the Department's monitoring controls. The Department's complete response begins on page 6.

Introduction/Background

Among other duties, the Oregon Department of Veterans' Affairs (department) administers state funds provided to counties for services to veterans. The 2005 Legislative Assembly directed the establishment of a new program to assist counties in providing enhanced and expanded services to veterans. To fund the new program, the Legislative Assembly appropriated \$2.6 million to the department for the 2005-2007 biennium. The Assembly also appropriated approximately \$670,000 to the department for the 2005-2007 biennium for ongoing support of county services historically provided to veterans.

As required by statute, the department created a distribution formula that it used to calculate enhancement and expansion funding

distributions to counties.¹ This formula provided all eligible counties with an annual base distribution of \$12,500 plus an additional annual amount based on the veteran population in the county as a percentage of Oregon's total veteran population.² The department made the first enhancement and expansion program distribution in December 2005. These payments were one-half of the annual

¹ Marion and Polk counties did not receive distributions for the 2005-2007 biennium. These counties did not have a county veterans' service officer; the department serviced veterans in these counties. In addition, the department modified the amount that it would have otherwise distributed under the formula to Multnomah County based on a legislatively-directed workgroup's finding that there was some duplication of service to veterans in Multnomah County where 16 federally accredited Veteran Service Officers were located.

² For the purposes of our audit, we considered counties that had contracted with other organizations for veterans' services as eligible to receive enhancement and expansion funds.

distribution due to each county. The department made future distributions for the 2005-2007 biennium in equal quarterly installments.

In conjunction with the December 2005 payments, the department issued a memorandum to all counties receiving enhancement and expansion funds. The memorandum included the distribution formula, applicable statutes and rules, and forms counties were required to complete to receive the funds in the future.

To monitor the use of the enhancement and expansion funds, the department required counties to submit the following reports before additional state funds for services to veterans were distributed:

- An action plan detailing the objectives the county planned to accomplish by spending the enhancement and expansion funds;

- Quarterly expenditure reports;
- Quarterly activity reports; and
- Quarterly progress reports.

These reports were required beginning the third quarter of fiscal year 2006. Once a county completed the activities in its approved enhancement and expansion plan, the department no longer required the quarterly progress report.

The planned uses for the enhancement and expansion funds varied by county. Examples included an increase in the number of hours worked or number of staff, expanded outreach and associated travel, office costs, computer and office equipment, training, information materials, and distribution of those materials.

In addition to the reporting requirements, in December 2006 and January 2007 the department audited how three counties, which we did not include in our review, used enhancement and expansion funds. Although the scope and methodology of that work differed somewhat from this audit, the department noted some of the same or similar issues at those three counties. The resulting audit reports directed recommendations towards each of the three counties and department management.

Audit Results

We found that, through the first quarter of fiscal year 2007, the department appropriately distributed enhancement and expansion funds to counties. Moreover, the methodology and formula it used to calculate the annual distributions to counties appeared to comply with statutory requirements and administrative rules. Although the distribution of enhancement and expansion funds by the department appeared appropriate, our review of practices and documentation in nine counties identified several instances that appeared to violate statutes or impaired accountability over the use

of enhancement and expansion funds. Examples included weaknesses in accounting for enhancement and expansion funds, poor contracting practices, and supplanting. As a result, we question whether counties consistently expended enhancement and expansion funds in compliance with statutes and rules and achieved the purposes for which the funds were provided.

By better aligning the county reporting function with program monitoring needs, providing additional guidance to counties, strengthening the steps taken to identify supplanting, and establishing performance outcome measures for the use of enhancement and expansion funds, the department can more readily determine and more clearly demonstrate the extent to which county expenditures of enhancement and expansion funds comply with statutes and are achieving intended results.

Distributions Appropriate, But County Practices Questioned

Through the first quarter of fiscal year 2007, the department appropriately distributed enhancement and expansion funds to counties. Although there were some instances in which counties did not meet the quarterly reporting requirements, administrative rules gave the department discretion in deciding whether or not to withhold funds from individual counties. Moreover, the methodology and formula the department used to calculate the annual distributions to counties appeared to comply with statutory requirements and administrative rules. Although the department's distribution of enhancement and expansion funds appeared appropriate, we question whether counties consistently expended state funds in compliance with statutes and rules.

First, six out of the nine counties we included in our review engaged

in at least one accounting practice that impaired the ability to verify that county expenditures of enhancement and expansion funds were appropriate. These practices included commingling or misclassifying the funds in less restrictive accounts, and removing restrictions on unexpended funds when they were carried forward to the next fiscal year.

Second, three of the nine counties contracted with a third party to provide veterans' services management for the county. We noted weaknesses in the areas of contract development and administration for each of these counties. For example, one county transferred almost \$22,000 in fiscal year 2006 enhancement and expansion funds without a signed contract that defined the specific services to be provided or the basis for payments. The other two counties established a contract with a third party for veterans' services management yet could not provide, when requested, supporting documentation of the services actually delivered by the contractor.³ As a result, counties with contracted veterans' services management could not demonstrate that they expended enhancement and expansion funds only on eligible activities. Moreover, the counties that provided contracted veterans' services management, and received funds from other counties, did not account for the funds in a manner that allowed specific expenditures incurred on behalf of the contracting county to be identified. A fourth county had a County Veterans' Service Officer

³ We noted that, subsequent to our audit period, the department began sending the quarterly enhancement and expansion distributions for two counties included in our review directly to the county that was providing services. The department took this action at the request of officials from the servicing county and with the knowledge of the officials from the two counties receiving services. However, we question whether this practice contributes to effective contract oversight.

who also served as an employee of a third-party not-for-profit organization that provided services to veterans and non-veterans alike. The county transferred more than \$11,500 in enhancement and expansion funds for fiscal year 2006 to the third-party organization without a signed written agreement that specified the allowable uses of the funds, reporting requirements, and record-keeping requirements.

Third, statutes generally prohibited counties from using the enhancement and expansion funds to supplant county funding support for services to veterans.⁴ In fiscal year 2006, however, seven of nine counties we reviewed supplanted \$48,568 of county funds with enhancement and expansion funds.⁵ Moreover, assuming actual county support matched budget data, two of nine counties planned to supplant \$8,266 of county funds with enhancement and expansion funds in fiscal year 2007.

Fourth, one county expended \$1,000 of enhancement and expansion funds to support a county Food Bank. Although the department approved the county's plan to make this expenditure, we question whether it meets the legislative intent of enhancing and expanding services to veterans since the Food Bank provides assistance to low-income veterans and non-veterans alike.

Last, all nine counties lacked documentation that adequately supported the level of veterans' service activities or expenditures reported to the department.

⁴ See ORS 406.460 for allowable exceptions to supplanting.

⁵ For this audit, we defined supplanting as any identified decrease in actual county funding support for the Veterans' Services Program from fiscal year 2005 to 2006 that did not meet allowable exceptions. We also compared actual county funding support for fiscal year 2005 to amounts budgeted for fiscal year 2007 to determine if counties appeared to be planning to supplant county funding during fiscal year 2007.

Viewed collectively, these conditions prevent counties from showing how enhancement and expansion funds were spent.

Actions Needed to Improve Accountability

In order to demonstrate proper stewardship of enhancement and expansion funds, counties should properly account for these funds, expend the funds in accordance with statutes and administrative rules, and maintain adequate supporting documentation. Due to the conditions described above, however, the department could not readily determine that counties were expending enhancement and expansion funds consistent with applicable statutes and rules and only on approved activities.

We realize that the department faces a challenge in working with the different accounting and program governance structures in the various counties while still assuring adequate accountability over program funds. However, we identified three department activities that, if improved, should allow the department to more readily demonstrate accountability over the enhancement and expansion funds. These activities include quarterly reporting, increased guidance, and supplanting analysis.

Even though the department required counties to submit quarterly expenditure reports before releasing quarterly distributions, the level of detail reported varied widely from county to county. For example, some counties did not include the amount of enhancement and expansion funds actually expended. In other cases, the reported expenditures did not agree with the county financial records. Moreover, county accounting systems seldom reported expenditures by funding source. This combination of conditions made identifying enhancement and expansion fund expenditures problematic. Last, the department

did not require counties to submit detailed supporting documentation with the quarterly reports, regardless of the expenditure. As a result, the department could not readily determine that counties were expending enhancement and expansion funds consistent with applicable statutes and rules and only on approved activities.

In addition to lack of detailed expenditure information, we noted insufficient guidance with respect to several issues. The administrative rules implemented to govern the enhancement and expansion program dealt with several program administration aspects, such as disbursements to counties, county action plans, and quarterly reporting requirements. However, the rules were silent on many other issues that emerged from our review of practices at the nine counties, such as:

- What level of detail about enhancement and expansion fund revenues and expenditures must a county be able to provide from its primary accounting system? What aspects may be tracked with subsidiary systems?
- Can enhancement and expansion funds be commingled with other funds? If so, are any additional accounting requirements imposed?
- How should unexpended funds that are carried forward to the next year be accounted for?
- Under what circumstances, if any, can a county pay a third party for enhancement and expansion services provided without a contract or other type of written agreement?
- Under what circumstances, if any, can a county transfer enhancement and expansion funds to a third party for services not yet rendered and how should such transactions, if allowed, be accounted for?

- Can a county that is providing enhancement and expansion services to veterans on behalf of a contracting county charge more than its costs in delivering the contracted services?

County personnel stated that inadequate guidance from the department was a factor that led to the inconsistencies noted during our review. Moreover, due to the statutory restrictions on use of these funds, further guidance would allow the department to more effectively identify inappropriate and questionable uses of the funds and require counties to take any needed corrective action.

We also found that guidance was lacking in the area of supplanting. Although statutes generally prohibit counties from supplanting county funds used for services to veterans with enhancement and expansion funds, at the time of our audit, neither statutes nor administrative rules specified how supplanting would be calculated. In addition, the department did not notify counties of the baseline county support that the department would use to determine whether supplanting occurred. Furthermore, our interviews with some county personnel revealed that they did not appear to understand supplanting and the restrictions placed on the enhancement and expansion funds.

Although guidance was lacking in the area of supplanting, the department did take steps to identify whether supplanting was occurring. For example, when we began this audit, department officials had identified supplanting as a risk and were performing a supplanting analysis at three selected counties, but did not yet have a formal process in place to evaluate supplanting in all counties that received enhancement and expansion funds. In addition, concurrent with our audit fieldwork, the department also performed a supplanting analysis for all counties that received enhancement and expansion funds that were not

included in our review or in the department's prior analysis.

For both of its supplanting analyses, the department used a two-year time period intending to determine whether counties planned to supplant county funds with enhancement and expansion funds. However, after the end of our fieldwork, the department received advice from legal counsel that indicated the supplanting analysis should match the county budget period. Of the 34 Oregon counties that received enhancement and expansion funds during the 2005-2007 biennium, 33 prepared county budgets on an annual basis.

Performance Monitoring Could Be Improved

The law enacting the enhancement and expansion program required the department to establish service outcomes for County Veterans' Service Officers. Department officials indicated that they considered the county enhancement and expansion action plans as the basis for monitoring county performance. However, these plans varied in level of detail and did not consistently identify the expected outcomes from the activities planned. Moreover, counties did not consistently track and report to the department all enhancement and expansion activities conducted. Without establishing and tracking service outcome measures, the department may not be able to clearly demonstrate the results of the enhancement and expansion program.

Recommendations

We recognize the challenges that come with implementing a new program and view our audit as an opportunity for the department to make early improvements in the administration of the county veterans' service enhancement and expansion program.

To that end, **we recommend** the department take the following actions:

- Improve the county reporting function to more effectively support program-monitoring needs. The department should require a level of detail that readily allows it to verify that counties correctly recorded as revenue enhancement and expansion funds received, identify all expenditures made with enhancement and expansion funds, determine the propriety of such expenditures, and compare total reported revenue and expenditure amounts with the county's financial records. As part of the alignment effort, the department should also identify acceptable options for the accounting treatment of commingled funds and funds carried-forward to the next biennium. In addition, the department should consider requiring counties to periodically submit supporting documentation for unusual expenditures.
- Provide additional guidance to counties regarding the minimum requirements necessary to adequately account for the enhancement and expansion funds. Also, define the minimum contracting practices that counties must follow when appointing a third party to deliver services typically provided by a County Veterans' Service Officer. Such practices, at a minimum, should establish when a written agreement is needed, identify key terms and conditions that the agreement must contain, describe responsibilities that may and may not be delegated through the agreement, and define acceptable arrangements for establishing the basis of payments made through the agreement. In addition, the department should determine whether counties may make payments for services not yet

delivered under the agreement and, if so, outline the process and requirements to account for such prepayments.

- Continue with efforts to establish a formal and consistent approach for determining whether counties have supplanted county resources with enhancement and expansion funds. This should include defining the baseline threshold for each county that must be met for a county to avoid supplanting, determining whether the baseline will change over time, considering using budget data to identify the potential for supplanting before the fiscal period ends, and assigning staff ongoing responsibility for periodic supplanting analyses. Furthermore, through consultation with the Department of Justice, the department should verify whether using a biennial basis for analyzing supplanting for 2005-2007 complies with statute. Last, the department should review all supplanting analyses done to date to determine whether conclusions need to be revised to be consistent with the established approach before applying any potential consequences to counties for supplanting county resources with enhancement and expansion funds.
- Create and implement performance outcome measures for each county based on planned use of the enhancement and expansion funds. Consider developing the outcome measures in consultation with county officials.
- Follow up on issues identified at the county level, which included weaknesses in accounting, poor contracting practices, and supplanting, and assure that county officials take timely corrective action.

- Consider continuing the department audit function, with the frequency, extent, and selection of audits based on the risks that remain after the department has addressed the recommendations included above.

Agency's Response:

We appreciate the opportunity to respond to your recent audit titled "Oregon Department of Veterans' Affairs: Enhancement and Expansion of County Veterans' Services." Audit results and recommendations are important to us as we continue to partner with counties to provide the most efficient and effective service to Oregon veterans.

As stated in the audit report, during the 2005-2007 biennium, Legislative funding significantly increased the amount of funds the Department was able to provide to counties as support for their veterans' services functions. Since increased funding was first sent to counties in December 2005, and this audit began in December 2006, the Department appreciates the early feedback on the implementation of the enhancement and expansion program.

Please note that unless otherwise indicated in the responses, the Department's planned actions are estimated to be complete by January 31, 2008.

First Recommendation:

The Department generally agrees with the recommendation.

Based on conversations with the Audits Division, the intent of this recommendation is to ensure that counties are reporting complete, relevant and accurate information to the Department. Previously, the Department required the submission of Quarterly Reports, signed by the County Treasurer or Commissioner, verifying the quarterly amount of funds expended by the county. As of June 30, 2007, the Department also began requiring counties to submit

year-end financial information on their veterans' services program. The Department has received financial information from all the counties and is reviewing the information.

Additionally, the Department has utilized field visits by its Internal Auditor to verify some of the counties' financial information. Lastly, the Department will consider requesting from counties additional information as needed to support financial records.

The Department recognizes counties have established accounting systems and structures with varying levels of detail that are designed to meet the needs of each individual county. Depending on a county's organizational and accounting structure, state expansion and enhancement funds may have been deposited and commingled with other sources of veterans' services funding and non-veterans services funding (i.e., for counties whose veterans services officers report to another program).

The Department will continue to defer to each county on the selection and structure of accounting systems. However, in order to ensure that state enhancement and expansion funds are properly accounted for and expended appropriately, the Department will direct counties to maintain financial records that will allow for tracking of individual revenue and expense transactions related to the enhancement and expansion program. The Department will develop and communicate formal guidance to counties that addresses maintaining adequate financial records.

The Department addressed the issue of carry-over funds in a July 2007 letter to counties. Guidance was provided that carry-over funds must adhere to all original restrictions on the funds. Additionally, as of June 30, 2009, the Department will no longer allow counties to carry-forward

unexpended enhancement and expansion funds.

The Department may request additional supporting documentation from the counties as deemed appropriate.

Second Recommendation:

The Department generally agrees with the recommendation.

Currently, the Department is provided copies of contracts when county services for veterans are contracted. The Department will research what other agencies may have developed in this area and will consider establishing general contracting guidelines counties should consider when developing a veterans' services contract.

Third Recommendation:

The Department generally agrees with the recommendation.

The Department provided formal guidance to counties in July 2007 that indicates fiscal year 2005 county funding will be the baseline threshold that must be met in order to avoid supplanting. At this time, the Department does not anticipate making changes to the baseline threshold over time. Additionally, the Department will continue to perform supplanting analyses on budget data, as is currently being performed on all counties for fiscal year 2008, to notify counties of the potential for supplanting.

The Department has verified with the Department of Justice that the initial analysis of supplanting could be performed on a two-year period to determine if counties had supplanted funds in either fiscal year 2006 or 2007 and whether appropriate corrective action was taken in fiscal year 2007.

The Department recently received the fiscal year 2007 financial information from the counties and is in the process of updating the preliminary supplanting analyses performed by both the Audits Division and the Department's Internal Auditor.

Fourth Recommendation:

The Department generally agrees with the recommendation.

After the Department's review of county enhancement and expansion plans for fiscal year 2008, counties will be requested to develop individual performance outcome measures based on the proposed use of funds for consideration by the Department. The proposed outcomes for each county will provide individualized plans and goals for each county.

Fifth Recommendation:

The Department generally agrees with the recommendation.

As requested by the Audits Division, counties will submit corrective action plans to the Department. The Department will review the counties' corrective action plans when received and perform appropriate follow-up work as appropriate.

Additionally, the Department will continue to provide both formal and informal guidance to counties on the types of financial and activity information requested and the types of documentation to maintain at the county.

Sixth Recommendation:

The Department generally agrees with the recommendation.

The Department, along with its Audit Committee, will consider the frequency, extent and selection of county audits in conjunction with the annual audit plan and available resources of its Internal Auditor.

Other Matter

During the course of our audit, we noted the following issue that, although not within the scope of this audit, warrants management's consideration. In some instances, the methods counties used to capture and report data to the department appeared to impair their ability to perform this function accurately. Moreover, inefficient data collection and reporting

processes can result in increased time away from client workloads for county staff. Although counties are responsible for submitting accurate data to the department, statutes that govern the veterans' service enhancement and expansion program direct the department to facilitate the coordination of computer systems to ensure the seamless transfer of information. Department officials indicated that, despite funding challenges, they have taken preliminary steps to address this directive.

We recommend that the department continue exploring potential cost-effective data reporting tools that meet both department and county needs.

Agency's Response:

The Department generally agrees with the recommendation.

The Department recalls the original intent of this legislative directive was to facilitate coordination of state and county computer systems to more efficiently process veterans' claims. However, the Department also recognizes the data-reporting process could be improved through automation and this feature could potentially be included in this coordination effort.

The Department will continue to work with interested County Veterans' Service Officers in researching reporting tools that will meet both Department and counties needs.

Acknowledgements

We commend the department for the following action.

During the early stages of implementing the enhancement and expansion program, the department initiated a date-stamping process to record the date quarterly reports are received from counties. The report receipt date is critical information needed to determine whether counties are complying with state reporting requirements.

Objectives, Scope and Methodology

The purpose of this audit was to determine whether the department appropriately distributed state funds provided to counties for the enhancement and expansion of services to veterans and whether counties expended those funds in compliance with statute and administrative rule.

We focused our review on enhancement and expansion funds the department distributed to counties during fiscal year 2006 and the first quarter of fiscal year 2007, and the associated controls the department implemented to administer those funds.

To obtain an understanding of the enhancement and expansion program, we reviewed governing statutes and administrative rules and interviewed department management and staff. We also reviewed enhancement and expansion action plans counties submitted to the department. In addition, we reviewed quarterly expenditure, activity, and progress reports counties submitted to the department for the third and fourth quarter of fiscal year 2006 and the first quarter of fiscal year 2007.

We also identified and tested key controls the department established to administer the enhancement and expansion program. We reviewed the distribution formula the department used for the 2005-2007 biennium to determine whether the department's disbursement of enhancement and expansion funds was accurately calculated and appropriately distributed to counties. We verified the calculations the department used with veteran population estimates maintained by the United States Department of Veterans' Affairs. We also compared the amounts the department calculated to expenditures shown in the state's accounting system. We determined that the data we used in our analysis

were sufficiently reliable for our audit purposes.

We reviewed three audits and supplanting analyses completed by the department's Internal Auditor. Although we considered the results of these audits as we planned and conducted our work, we did not rely on the results of the audits or supplanting analyses for our findings and conclusions.

We judgmentally selected nine counties to include in our review. For each county, we compared the amounts the department distributed as shown in the state's accounting system with revenues shown in county accounting systems. We determined that the data we used in our analysis were sufficiently reliable for our audit purposes. We did not, however, test the overall reliability of county accounting systems. We also performed a supplanting analysis based on our interpretation of statutory restrictions placed on enhancement and expansion funds.

In addition, we reviewed supporting documentation and processes used to account for, expend, and report to the department the use of enhancement and expansion funds. We considered reported activity data an exception if the reported amount varied from the supporting documentation by 5 percent or more and varied by more than five units from the actual activity level supported. Examples of units of activity included number of interviews conducted and number of veterans' benefits claims filed. We also considered as exceptions instances in which the difference between reported expenditure data and the amount supported was 5 percent or greater of the supported amount.

We also sent letters to each of the nine counties included in our audit. The nine counties were: Crook, Gilliam, Harney, Hood River, Lane, Sherman, Wasco, Washington, and Wheeler. The letters summarized county-specific concerns that we

noted during the course of this audit. We provided the department copies of these letters to facilitate follow up.

We conducted our fieldwork during the period of February 2007 through May 2007. We conducted our work according to generally accepted government auditing standards.





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Courtesies and cooperation extended by officials and staff of the Oregon Department of Veterans' Affairs were commendable and much appreciated.

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