



---

*Auditing for a Better Oregon*

January 3, 2006

Bob Repine, Director  
Oregon Housing and Community Services Department  
P.O. Box 14508  
Salem, Oregon 97309-0409

Dear Mr. Repine:

The statewide single audit that included selected federal awards at Oregon Housing and Community Services Department (department) for the year ended June 30, 2005, has been completed.

This statewide single audit work is not a comprehensive audit of your federal awards. Instead, this single audit permits us to report on the state's internal control and the state's compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major federal program. Regular audits of the department will continue on a periodic basis.

We determined whether the department substantially complied with the federal requirements relevant to the following federal program.

<u>CFDA Number</u>	<u>Program Name</u>
93.568	Low Income Home Energy Assistance Program (LIHEAP)

Based on our audit, we identified the following condition in need of corrective action.

**Non-compliance with Subrecipient Monitoring Provisions**

Low Income Home Energy Assistance Program (LIHEAP) grantees are required to administer LIHEAP programs according to plans submitted to the U.S. Health and Human Services Department. According to the Master Grant Agreement incorporated in the 2005 LIHEAP plan, submitted by the State of Oregon, the Oregon Housing and Community Services Department will perform program and fiscal monitoring for each subrecipient at a minimum of once each year.

During the reporting period, we found the department did not perform subrecipient monitoring in accordance with policies outlined in its LIHEAP plan. Specifically, the department performed

---

Management Letter No. 914-2006-01-01

program monitoring of 13 of 19 subrecipients and performed fiscal monitoring of 9 of 19 subrecipients.

The department passed through \$24,610,936 to subrecipients for the year ended June 30, 2005. Insufficient subrecipient monitoring increases the risk that subrecipients are not administering federal awards in compliance with federal requirements. Staff turnover and vacancies appear to have contributed to the department being unable to fulfill its subrecipient monitoring responsibilities.

**We recommend** the department comply with its LIHEAP plan and devote sufficient resources to fulfill its subrecipient monitoring responsibilities.

This reportable condition, along with your response, will be included in our statewide audit report. Including your response with responses from other state agencies satisfies the federal requirement that management prepare a Corrective Action Plan (CAP) covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to each finding includes the information specified by the federal requirement, and only if the response is received in time to be included in the audit report. The following information is required for each response.

1. Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please submit your written response, containing all the required information, by January 9, 2006.

Should you have any questions, please contact me at (503) 986-2263.

Sincerely,  
OREGON AUDITS DIVISION

Ryan K. Dempster, CPA, CFE  
Audit Manager

RKD:bk

cc: Rick Crager, Chief Financial Officer  
Lindsay A. Ball, Director, Department of Administrative Services