

Office of the Secretary of State

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Audits Division

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February 24, 2009

Camille Preus, Commissioner  
Department of Community Colleges and Workforce Development  
255 Capitol St. NE, Third Floor  
Salem, Oregon 97310

Dear Ms. Preus:

We have completed audit work of a selected federal program at the Department of Community Colleges and Workforce Development (department) for the year ended June 30, 2008.

This audit work is for the statewide single audit and is not a comprehensive audit of your federal program. Instead, the audit work performed allowed us, in part, to achieve the following objectives: (1) determine whether the state has complied with laws, regulations, contracts or grants that could have a direct and material effect on each major federal program and (2) obtain an understanding of the state's internal controls over compliance with the laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the department's internal control over compliance with requirements that could have a direct and material effect on the federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the department's compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over compliance.

We audited the following federal program at the department to determine whether the department substantially complied with the federal requirements relevant to the federal program. Our audit does not provide a legal determination of the department's compliance with those requirements.

| <u>CFDA Number</u>        | <u>Program Name</u>                    | <u>Audit Amount</u> |
|---------------------------|--|---------------------|
| 17.258, 17.259,<br>17.260 | Workforce Investment Act (WIA) Cluster | \$51,352,571        |

Based on audit procedures performed over the department's assigned responsibility to complete the review of single audit reports in accordance with OMB Circular A-133, we identified an other matter that warrants management's attention, but does not rise to a level of reportable significance. This matter does not require a written response.

**Lack of Subrecipient Follow-Up**

The Community Colleges and Workforce Development (department) was assigned responsibility to review the single audit reports of 13 subrecipients who received federal funds from the State of Oregon. The Oregon Accounting Manual lists the specific responsibilities required by OMB Circular A-133. These responsibilities include comparing the federal expenditures listed on the Subrecipients Schedule of Expenditures of Federal Awards (SEFA) with the amounts reported by the Statewide Accounting and Reporting Section (SARS) and identifying material differences. If material differences are identified, the department is responsible for determining the cause of the discrepancies.

We reviewed the department's monitoring for seven subrecipient audit reports. The department identified material discrepancies on six of the seven subrecipients selected for review. Although the department informed the subrecipients of the discrepancies and requested additional information, the department did not adequately follow up to resolve the material discrepancies. The department issued letters to the subrecipients indicating its review was complete. Without sufficiently following up on the discrepancies, potential errors remain unresolved.

**We recommend** department management adequately resolve material discrepancies identified between federal expenditures reported on the subrecipients' SEFA and federal expenditures reported by SARS prior to completing the subrecipient reviews under the provisions of OMB Circular A-133.

This communication is intended solely for the information and use of management, the State Board of Education, others within the department, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Should you have any questions, please contact Nicole Rollins or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Julianne Kennedy, CPA  
Audit Manager

JK:brk

cc: Pam Teschner, Director of Operations  
Debra Welter, Fiscal Manager  
Mark Neeley, Internal Auditor  
Duncan Wyse, Chair, Oregon Board of Education  
Scott Harra, Director, Department of Administrative Services