

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State



Audits Division

Gary Blackmer
Director

255 Capitol Street NE, Suite 500
Salem, OR 97310

(503) 986-2255

fax (503) 378-6767

March 13, 2012

Susan Castillo, Superintendent of Public Instruction
Oregon Department of Education
255 Capitol Street NE, Suite 200
Salem, Oregon 97310-0203

Dear Ms. Castillo:

We have completed audit work of selected federal programs at the Oregon Department of Education (department) for the year ended June 30, 2011.

This audit work was not a comprehensive audit of your federal programs. We performed this audit work as part of our annual statewide single audit. The audit work performed allowed us, in part, to achieve the following objectives: (1) determine whether the department has complied with laws, regulations, contracts or grants that could have a direct and material effect on the selected federal programs and (2) determine whether the department has effective internal controls over compliance with the laws, regulations, contracts and grants applicable to the selected federal programs. We audited the following federal programs at the department to determine whether the department substantially complied with the federal requirements relevant to the federal programs.

CFDA Number	Program Name	Audit Amount
84.010	Title I Grants to Local Education Agencies	\$ 140,938,489
84.389	Title I Grants to Local Education Agencies (ARRA)	38,407,019
84.027	Special Education- Grants to States	115,683,144
84.173	Special Education- Preschool Grants	3,672,315
84.391	Special Education- Grants to States (ARRA)	53,065,266
84.392	Special Education- Preschool Grants (ARRA)	1,440,657
84.394	State Fiscal Stabilization Fund- Education State Grant (ARRA)	84,055,984
84.410	Education Jobs Fund	98,359,099

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 these major federal programs to determine the auditing procedures for the purpose of expressing our opinion on the department's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the federal programs on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the federal programs will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the paragraph above and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Other Deficiencies

We identified the following other matters that present an opportunity for the department to strengthen internal controls but are not considered to be significant deficiencies or material weaknesses. These other matters do not require a written response from management.

Improve Reviews of Subrecipients' Corrective Action Plans

Program Title & CFDA Number:	Title I Grants to Local Educational Agencies (84.010; 84.389) State Fiscal Stabilization Fund – Education State Grant (ARRA) (84.394) Special Education Grants (84.027; 84.173; 84.391; 84.392)
---	---

The Office of Management and Budget (OMB) provides instruction on how to perform reviews of A-133 audit reports of subrecipients. Furthermore, the Oregon Accounting Manual (OAM 30.40.00.PR .108 d.) details the responsibilities and requirements for performing reviews, which include reviewing a subrecipient's corrective action plan to ensure the subrecipient responded to all deficiencies, provided a reasonable corrective action plan, and provided a reasonable time table for correction.

We reviewed 15 A-133 audit reviews performed by the department and found seven instances when the department did not obtain and review a subrecipient's corrective action plan as part of the review process, relying instead on the subrecipient's response summarized in their single audit reports. This summary level information was often non-specific and did not provide all of the required elements of a corrective action plan.

By not reviewing corrective action plans, the department cannot ensure subrecipients take appropriate and timely action to resolve audit findings.

We recommend department management ensure adequate and complete reviews of subrecipients' corrective action plans are performed as part of the department's A-133 review process.

Subrecipient Monitoring - Improve During-the-Award Monitoring

Program Title and CFDA Number: Special Education Grants (84.027; 84.173; 84.391; 84.392)

OMB Circular A-133 Compliance Supplement Part 3, Section M, Subrecipient Monitoring, specifies the "During-the-Award Monitoring" requirements of pass-through entities, which include monitoring subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The department can improve its during-the-award subrecipient monitoring process in place for Special Education- IDEA funds awarded to subrecipients. Department personnel reviewed subrecipients' claims for reimbursement entered in the department's Electronic Grant Management System (EGMS) and reviewed quarterly reports from subrecipients that received American Recovery Reinvestment Act (ARRA) funds. The claims in EGMS, however, do not include any supporting documentation.

A review of supporting documentation can provide the department greater assurance that claims submitted through EGMS were used for the intended purpose and were in compliance with allowable program activities. Department management reported that during-the-award monitoring procedures, which include a review of supporting documentation, had been implemented for fiscal year 2012.

We recommend department management ensure sufficient during-the-award monitoring occurs for Special Education- IDEA funds awarded to subrecipients.

This communication is intended solely for the information and use of management, the State Board of Education, others within the organization, 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.

Susan Castillo, Superintendent of Public Instruction
Oregon Department of Education
Page 4

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Jason Butler or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

V. Dale Bond, CPA, CISA, CFE
Audit Manager

VDB:JAB:nmj

cc: Ed Dennis, Deputy Superintendent
Sue MacGlashan, Assistant Superintendent, Office of Finance and Administration
Tomas Flores, Director of Financial Services
Tryna Luton, Director, School Improvement and Accountability
Mike Wiltfong, School Finance Director
Brenda Frank, Chair, State Board of Education
Gerold Floyd, Director of Recovery Act Management, Office of the Governor
Michael J. Jordan, Director, Department of Administrative Services