

Office of the Secretary of State

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March 11, 2013

Dr. Bruce Goldberg, Director
Oregon Health Authority
500 Summer Street NE
Salem, Oregon 97310

Dear Dr. Goldberg:

We have completed audit work of a selected federal program at the Oregon Health Authority (department) for the year ended June 30, 2012.

This audit work was not a comprehensive audit of your federal program. 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 program and (2) determine whether the department has effective internal controls over compliance with the laws, regulations, contracts and grants applicable to the selected federal program. We audited the following federal program at the department and determined the department substantially complied with the federal requirements relevant to the federal program.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	\$ 12,730,359

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 major federal program 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 program 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 a federal program 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Significant Deficiency

Suspension and Debarment Verification Process Needs Improvement

Program Title and CFDA Number:	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (CFDA 93.525)
Federal Award Numbers and Year:	HBEIE110055-01-00; 2011
Compliance Requirement:	Procurement, Suspension, and Debarment
Type of Finding:	Significant Deficiency, Non-Compliance

Federal regulations prohibit grant recipients from contracting with parties that are suspended or debarred from participating in federal programs or activities. Grant recipients are to ensure vendors that receive more than \$25,000 in federal funds are not suspended or debarred from doing business with the federal government.

A vendor may certify in writing that it has not been suspended or debarred and the grantee may rely on that certification. The grantee also may check for suspended or debarred parties by reviewing the Federal Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration or by including a clause in its contract with the vendor.

The Oregon Health Authority (department) paid a vendor \$6.1 million in fiscal year 2012 for information technology software and services using a purchase order in conjunction with an existing price agreement, without ensuring the vendor was not suspended or debarred from receiving federal funds. The department did not verify suspension and debarment for this vendor, such as by reviewing EPLS. In addition, the statewide price agreement that was used did not include a clause to ensure compliance with suspension and debarment requirements. While the department has a policy to perform a review of the EPLS and to maintain documentation of that review prior to the execution of a contract or agreement, the policy does not specify verification of suspension and debarment when a purchase order is used in conjunction with a statewide price agreement. Without adequate controls over suspension and

debarment requirements, the department cannot ensure federal funds are paid only to eligible vendors. We verified through EPLS that the contractor was not suspended or debarred.

We recommend management implement and follow internal controls to ensure the review for suspension and debarment is performed and documented for all contracts, including price agreements.

The significant deficiency, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2012. Including your response satisfies the federal requirement that management prepare a Corrective Action Plan covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to the significant deficiency 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 the 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 respond by March 15, 2013.

This communication is intended solely for the information and use of management, 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.

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

Sincerely,
OREGON AUDITS DIVISION

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

VDB:MNS:nmj

cc: Suzanne Hoffman, Chief Operating Officer
Kelly Ballas, Chief Financial Officer
Shawn Jacobsen, Controller
Dave Lyda, Chief Audit Officer
Michael J. Jordan, Director, Department of Administrative Services