

## Office of the Secretary of State

Bev Clarno  
Secretary of State

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Deputy Secretary of State



## Audits Division

Kip R. Memmott, MA, CGAP, CRMA  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

503-986-2255

October 21, 2020

Katy Coba, Director  
Department of Administrative Services  
155 Cottage Street NE  
Salem, OR 97301

Dear Director Coba:

As you are aware, the Oregon Secretary of State Audits Division is conducting a real-time review of Department of Administrative Services (DAS) efforts under the CARES Act to reimburse local governments with funds from the Coronavirus Relief Fund, a part of the CARES Act. This letter is meant to help DAS quickly address identified risks and issues. It includes background on the program, details of our review of local government reimbursement requests, issues we identified, and actions DAS can consider to address those issues.

## Background

### ***CARES Act Overview***

The \$2 trillion federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law in late March, provides financial assistance to individuals, businesses, community organizations, and state and local governments.

Oregon is estimated to receive about \$13 billion in total CARES Act funding, including supplemental funds Congress added after passing the CARES Act. More than \$9 billion of Oregon's total is going to two programs for small business: the Paycheck Protection Program and Economic Injury Disaster Loans. The remaining \$3.4 billion includes money for community groups, health care providers, colleges, school districts, and other organizations. It also includes \$1.64 billion from a Coronavirus Relief Fund (CRF), established in the act, which is specifically slated for state, local, and tribal governments.

See **Figure 1**, attached to this letter, for the distribution of Oregon's CRF money.

Our initial work focused on \$200 million in planned DAS reimbursements to counties, cities, and special districts as part of the CRF. Under the terms of the CARES Act, the city of Portland and Washington and Multnomah counties received \$247 million in funding directly from the federal government because of their large size.<sup>1</sup> At the direction of the Legislature's Emergency Board, DAS is handling reimbursements for another \$200 million in federal CRF money designed to help special districts and Oregon's other cities and counties respond to COVID-19.

Local governments can apply to DAS for reimbursement of spending in specific categories outlined by the U.S. Treasury Department, which is overseeing the CRF at the federal level. The state, as the

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<sup>1</sup> The state is not responsible for monitoring spending in these local jurisdictions because they received funding directly from the federal government.

primary recipient of the funds, is ultimately responsible if local government sub-recipients do not meet federal criteria for spending the money. DAS required local governments to sign contracts that allow the state to recover misspent funds from local governments.

### ***Spending in Round 1 focused on local government payroll and leave***

Local government spending reimbursed by DAS in Round 1, which ran from March 1, 2020, to May 15, 2020, was mainly for payroll and leave costs for employees, covering 74% of the reimbursements requested. As of September 22, 2020, \$59.6 million, or 65%, of the \$91 million requested was for payroll and leave costs. Spending on more direct services to affected populations — such as homeless services, food delivery to residents, and quarantining individuals — has been relatively low by comparison.

The Emergency Board did not allow economic support spending by local governments in the first round of reimbursements, though that is an allowable use under federal guidance. The Emergency Board did allow it in subsequent rounds and that spending has also been substantial, DAS records indicate.

See **Figure 2** for details of local government spending through September 22, 2020.

The CARES Act does not address why Congress dedicated a portion of CRF monies to state and local governments. Some of the Treasury guidance stresses the importance of direct assistance to the public. However, a Congressional Research Service report that summarized the bill pointed to the economic damage from reduced employment at the state and local level. The researcher emphasized that “a sizable share of economic output derives from state and local government activity.”

We reviewed USA Facts data on case incidence by county, which shows cumulative cases relative to population. We found little to no relationship between local governments requesting reimbursement for large amounts of payroll or leave relative to their population and per capita COVID-19 incidence or cases in their counties.<sup>2</sup>

### ***The initial reimbursement process has created funding disparities among local governments***

The legislative Emergency Board did not set a limit on individual Round 1 reimbursement requests. Some governments made large requests; others requested nothing.

For subsequent rounds, a CARES Act workgroup of legislators and associations representing local governments set a maximum reimbursement based on population for cities and counties and set aside \$20 million for special districts. The Governor’s Office accepted their proposal. The workgroup did not include the Round 1 requests in that calculation, allowing local governments to receive both their Round 1 reimbursements and the by-population reimbursement. Local governments that pursued large reimbursements in Round 1 will likely receive substantially more money overall.

For example, one small city we examined requested as much for payroll costs in Round 1 as cities five to six times its size, generating the highest per capita payroll reimbursement in the state, even though the USA Facts data indicates its county’s COVID-19 incidence rate is relatively low. An adjacent city with a similar population requested 11 times less in payroll costs.

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<sup>2</sup> USA Facts tracks and maps active cases by county, deaths, and the percent of the county population affected: <https://usafacts.org/visualizations/coronavirus-covid-19-spread-map/>

Other cities, including cities with substantially higher populations, requested very little in payroll cost reimbursements.

Some other states took a different approach. Washington state, for example, established allocations based on population from the beginning, reducing the potential for disparities. Washington is a good comparator, because like in Oregon, the state made no advance CRF payments to local governments; it only reimbursed requests for costs already incurred.

### ***Local governments have not yet requested half of the \$200 million available***

As of September 22, 2020, local governments had requested reimbursement for \$91 million in expenditures, less than half the \$200 million available, with roughly three months left until the December 30 deadline for spending the CRF money.

DAS officials say they are keeping tabs on reimbursement requests relative to individual allocations to local governments and will work on reallocating money to local governments that can best use it if needed.

## **Real-time Approach**

Among other requirements, the CRF money must be used for non-budgeted COVID-19-related expenditures incurred between March 1, 2020, and December 30, 2020. Given that deadline and the large amount of funding involved, the audit team decided on a “real-time” review that allows us to identify problems and propose potential solutions before the funding cutoff at the end of the year. Our goal is to help DAS and local governments reduce the risk of municipal auditors, state financial auditors, or federal auditors questioning CRF spending. Whether federal auditors will elect to examine spending in Oregon is not known at this point.

Our objective was to determine if local government requests made in the first round of reimbursements appeared allowable under federal guidance and were supported by adequate backup documentation at the local level.

We judgmentally selected Round 1 reimbursements from 32 cities, counties, and special districts totaling \$21.7 million, or 47%, of the total amount requested. We requested backup documentation from the local governments and communicated with local government officials to better understand their requests. In addition to evaluating documentation, we ran 31 major vendors, grantees, or contractors used for the reimbursements we examined through the U.S. Treasury's Do Not Pay system and did not identify any excluded from receiving federal funds. The Do Not Pay system is designed to help prevent and detect improper payments.

We also communicated with a selection of local governments that applied for little or no reimbursement in Round 1 and communicated with DAS officials, officials in the Governor's Office, Oregon legislators, the leader of Washington state's CRF reimbursement program, other auditors, and stakeholders.

## **Overall Conclusion**

Overall, we found that 22 of the 34 Round 1 reimbursements we examined in detail had clear and adequate documentation to support their reimbursements, including some examples of very thorough and complete documentation. (We did not examine detailed documentation for one local government that withdrew its request after we asked for documentation.)

Despite finding 12 reimbursements with documentation problems, we judged that only three of the reimbursements appeared at a high risk of being questioned by municipal or federal auditors. We also found issues that we believe DAS and local governments can address before the December 30 cutoff date for CRF funding. The funding available after Round 1 totals roughly \$154 million.

## **Key Issues Identified**

### ***Local governments are interpreting differently the federal government's guidance on what spending is allowed, increasing the risks of spending being questioned***

The U.S. Treasury and Treasury's Office of Inspector General (OIG) are providing guidance and issuing responses to frequently asked questions about how CRF money can be spent. Unfortunately, the federal advice has been vague and at times seemingly contradictory. It has also changed substantially over time. Changes are understandable in a quickly introduced emergency program, but they have been extensive, forcing local governments to adjust as new guidance is released. From April 22, 2020, to September 21, 2020, the Treasury and the OIG updated their guidance and frequently asked questions 14 times.

Many of the local governments we communicated with that did not apply in Round 1 or applied for small amounts told us they hesitated in part because the vague guidelines made it unclear what would be allowed.

Additional compliance guidance for auditors from the U.S. Office of Management and Budget is expected sometime this fall. It may add more clarity on some spending issues.

However, as of the date of this letter, we see two key areas where local governments are interpreting the guidance differently, then taking aggressive or conservative reimbursement approaches depending on their interpretations.

In our judgment, the aggressive approaches have a higher risk of being questioned. That risk could be one that some local governments are willing to take given the vague federal advice.

### **CARES Act funds used for payroll expenses**

Three of the local governments we reviewed with the highest payroll costs requested reimbursements for the full costs of public safety and public health personnel. They did not track hours spent on COVID-19 response and provided little documentation of the COVID-19-related work the employees did.

The Treasury and OIG guidance on this varied substantially over time, but as of the date of this letter, appears to have settled on this approach being allowed as an "administrative convenience" with no documentation required beyond substantiation of position and payroll costs. Unless the guidance changes again, those expenditures appear to be in the low risk category.

For employees not in public health or public safety, some local governments are separately tracking COVID-19-related time on supervisor-approved timesheets to document that employees spent time on COVID-19 tasks, then basing their payroll reimbursement requests on the documented time. This conservative approach seems less likely to be questioned.

Other local governments are allocating time on a percentage basis, relying on supervisor or human resource knowledge, not time tracking or detailed documentation of duties. This is a higher risk approach we identified in two local governments. Some local governments also included substantial

hours for administrators and elected officials in their reimbursement requests — up to full-time, in one case.

The broadest approach we saw was a local government that claimed 100% of parks and recreation employee pay as COVID-19-related with no separate time tracking and little documentation to support the duties performed. In our judgment, this request has a high risk of being questioned.

### **CARES Act funds used for personnel leave expenses**

Similarly, the amount and type of leave time for employees requested by local governments varies significantly.

The Treasury guidance stated consistently that local governments can use CRF money for paid sick leave and paid family medical leave for employees “to enable compliance with COVID-19 public health precautions.” Separately, the U.S. Department of Labor provides guidance on the amount of COVID-19-related leave required, generally for limited purposes. Some local governments stuck to the limited purposes and amount of leave in their reimbursement requests.

Other local governments have offered and requested reimbursement for more expansive leave, including what some local governments termed administrative leave.

Some of these requests tie to one Treasury frequently asked question about administrative leave for public employees who could not telework and had to stay at home in the event of infection at workplaces or because of stay-at-home orders, though it does not define that term. Several local governments we examined cited social distancing requirements or the Governor’s March 23 Executive Order that closed state government offices to the public and encouraged local governments to follow suit.<sup>3</sup>

However, it is not clear that social distancing requirements or the Governor’s order satisfy the federal definitions. The Governor’s order did not discuss providing leave for employees who stay at home and cannot telework. The amount of leave in this category is also not transparent. It was lumped in with payroll requests or included in the sick and family medical leave category. The federal guidance also contains sections that stress the importance of using the CRF money for employees whose duties involve responding to COVID-19 issues.

In Round 1, DAS sent messages to local governments suggesting that broad leave programs were allowed under federal guidance, if they were new, established in response to COVID-19, and not covered under other federal leave programs. The agency has since stopped sending that advice. A Washington state official told us they believe in situations where telework is not an option, the administrative leave is allowed to accommodate social distancing requirements.

However, in our judgment, basing large requests on one question in the Treasury’s frequently changing guidance documents increases the risk that the spending could be questioned in the future.

In addition, one local government chose to offer 80 hours of additional sick leave for COVID-19 to all employees, a cost of \$344,000, but also opted to pay out any sick leave not taken as an incentive to reward employees for coming to work to help with operational challenges posed by COVID-19. The payment portion of this request — not the actual sick leave taken — in our judgment did not appear eligible for CRF reimbursement under Treasury guidance, which includes “workforce

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<sup>3</sup> Please see [https://www.oregon.gov/gov/Documents/executive\\_orders/eo\\_20-12.pdf](https://www.oregon.gov/gov/Documents/executive_orders/eo_20-12.pdf)

bonuses” in its list of ineligible expenditures. The local government removed the incentive portion of its request after we raised the issue.

### ***Several local governments made significant errors***

Most of the reimbursements we reviewed did not contain significant errors. However, four local governments made significant mathematical errors in Round 1. In addition, 11 local governments misclassified their expenses in reporting to DAS, which will make their expenditures less transparent when DAS releases spending data.

The mathematical errors, totaling roughly \$118,000, included double counts of personnel, miscalculated leave hours and benefit amounts, and a reimbursement requested for costs paid before March 1, the starting date for allowable CRF reimbursements.

Eleven local governments reported expenses in incorrect federal categories. Eight of those local governments incorrectly represented broad administrative leave expenses as payroll or as sick or family medical leave. Another local government incorrectly reported road crew costs in the “Distance Learning” category, one included incentives as sick and family leave, and another included administrative payroll costs in a category for public health communication and enforcement. These errors will make local spending details less accurate and transparent to the public and policymakers when DAS releases local spending data later this year.

### ***Some local governments provided incomplete backup documentation***

The majority of local governments were able to provide detailed summaries of transactions that tied to the reimbursement amount requested, and policies, board, or commission approvals or communications backing up COVID-19-related changes. They also provided supporting documentation — such as contracts, invoices, and timesheets — that clearly tied to supporting schedules.

However, we also found documentation lacking in 12 cases. (As noted earlier, we did not evaluate documentation for one local government that withdrew its Round 1 request.)

Three local governments paid contractors in advance of services and, therefore, could not provide invoices supporting the amount. These requests will not be fully valid unless all the services are provided by December 30, 2020.

Two other local governments used percentage payroll allocations with little support for the percentage selected. Four provided insufficient documentation of the COVID-19-related duties conducted by personnel outside public safety and public health. One, as noted earlier, did not explain why an attendance incentive was offered to high-level, highly paid employees; one tracked COVID-19-related time on a lump sum basis per payroll period for exempt employees; and one provided large construction and consultant invoices with little detail on services provided.

Given the December 30 CRF deadline, DAS and local governments have time to check for errors and misclassifications and improve documentation before the fund expires, then make corrections as necessary. Based on discussions with federal officials, DAS is assuming that local governments will have until September 2021 to correct for errors and even replace unallowable spending with allowable spending. Washington state officials, however, are assuming that corrections must be made prior to the December 30 deadline. In our judgment, that is the safer approach.

## ***DAS is providing limited guidance to local governments and limited monitoring of reimbursement requests***

Citing the ambiguity of the federal guidance and a lack of resources, DAS's three-person CRF team has limited its role in distributing funds. In Round 1, the agency looked at explanations for the limited number of reimbursements that fell in the "Other" category. The state also had local governments sign a contract with DAS that says the local governments are responsible for following the guidance and the state can recover money if municipal or federal auditors find their requests were not allowable. However, DAS does not collect fiscal breakdowns of how funds were spent when local governments submit their reimbursement requests, or ask for descriptions of how the funds were spent beyond the short categories defined by the Treasury for anything but the "Other" category.

For local governments with questions about allowability, DAS has advised them to look at U.S. Treasury guidance and consult their legal counsel. DAS officials say they do not want to make allowable cost determinations or offer advice that turns out to be wrong.

DAS did send out a questionnaire to local governments asking about their past audits of federal compliance, their accounting system, qualifications of entity staff, and other matters. DAS officials also plan to do a risk review that assesses the risks of reimbursement requests being unallowable, but that does not involve further monitoring of local government submissions or review of documentation.

A Washington state official said Washington does not make allowable cost determinations at the time of the request. However, Washington does have two more controls that could increase the accuracy of reimbursement requests and reduce risks. First, the state is requiring local governments to submit a brief description of their use of funds and how it addressed the COVID-19 emergency, along with a detailed summary of expenditures — individual transactions that add up to the requested reimbursement total — when they apply for reimbursements. In Oregon, this step would likely have increased accuracy and reduced misclassifications in Round 1.

Second, Washington is planning for sub-recipient monitoring that includes reviews of backup documentation, another reasonable control that is common practice on federal grants. A Washington official said the additional detail provided by local governments will help them monitor the agencies more effectively. Washington officials plan to conduct monitoring by December.

Under federal Uniform Guidance standards supported by the Treasury, DAS is required to monitor CRF sub-recipient activities as necessary to ensure sub-awards are used for authorized purposes. We will provide the details of our review to DAS so the agency can follow-up with local governments. While DAS is allowed discretion in determining the monitoring needed, DAS must follow up on all deficiencies of the federal award detected through any means to ensure that sub-recipients take timely and appropriate corrective action.

## **Potential Actions to Address Issues**

In our judgment, DAS could help better ensure accuracy and reduce risks of expenses being questioned by:

- Reminding local governments to:
  - Check past and future submissions for math, date, and classification errors so they can make corrections prior to claiming all their CRF allocation;

- Check to ensure they have adequate documentation to support the individual transactions;
- Consider whether to substitute low-risk expenses before the CRF deadline if they have taken an aggressive approach; and
- Document the precise federal guidance they relied on when concluding that costs are allowable for reimbursement.
- Requiring local governments to submit descriptions of their use of funds and a transaction-based summary schedule that ties to the reimbursement requested for future reimbursement requests;
- Developing a sub-recipient monitoring plan that includes risk-based reviews of reimbursement accuracy and back-up documentation.

We appreciate your staff's time and collaboration during this review, as well as the cooperation of local government officials during a difficult time. We may submit additional interim letters to provide you with real-time assurance and risk identification information. If you have any questions, please contact Andrew Love, Audit Manager, or Principal Auditors Casey Kopcho and Scott Learn.

Sincerely,  
OREGON AUDITS DIVISION

A handwritten signature in blue ink, appearing to read "K. Memmott", enclosed in a thin black rectangular border.

Kip Memmott  
Audits Director

**Attachments:**

Figure 1  
Figure 2  
DAS Response Letter



**Figure 1: Majority of state coronavirus relief funds used for state agency responses**

<b>Coronavirus Relief Fund Allocation</b>	<b>Amount (millions)</b>
<b>Total Coronavirus Relief Fund Allocated to Oregon</b>	<b>\$ 1,635.5</b>
<b>CRF Funds awarded directly to jurisdictions with population greater than 500k:</b>	
City of Portland	114.2
Washington County	104.7
Multnomah County	28.1
<b>Local Government Reimbursable Expenses:</b>	
Allocation to Counties	108.7
Allocation to Cities	67.3
Allocation to Special Districts	23.9
<b>Tribal Reimbursable Expenses:</b>	15.0
<b>State Agency COVID-19 Expenses:</b>	
Salaries for COVID-19 dedicated staff	139.4
Salaries for Oregon State Police Patrol	56.0
PPE Purchases	45.0
OHA Racial Disparities Plan	45.0
Increased public health communication and enforcement	24.2
All other state expenses	136.2
<b>State Provided Services/Supplies to Local Governments:</b>	
DAS: PPE purchases for local governments and tribes	105.0
Oregon Health Authority (OHA): Contact tracing for counties and tribes	69.6
Multiple Agencies: Agricultural worker protections	30.0
OHA: Testing and lab support	20.7
Other	19.9
<b>Business Oregon Programs for COVID-19 Response:</b>	
Rural Hospital Stabilization Grants	50.0
Statewide Business and Cultural Support	26.0
COVID-19 Emergency Business Assistance	23.1
Broadband Capacity	20.0
PPE for Small Businesses	10.0
Other	8.0
<b>DAS Programs for COVID-19 Response:</b>	
Oregon Cares Fund for Black Relief and Resiliency	62.0
Emergency relief checks to individuals	35.0
Statewide business and cultural support	24.0
Oregon Worker Relief Fund through the Oregon Community Foundation	10.0
COVID-19 emergency business assistance (Pacific Marine Fish)	2.5
<b>Housing and Community Services Programs for COVID-19 Response:</b>	
Rent assistance, housing stabilization, and mortgage assistance	75.0
Energy assistance	15.0
Rental assistance and safe shelter alternatives	12.0
<b>Other State Agency Programs for COVID-19 Response:</b>	
Oregon Department of Education: Child Care Provider Assistance	30.0
Consumer and Business Services: Sick Leave for Workers Infected by COVID-19	30.0
OHA: Behavioral Health and Emergency Response Activities	29.6
All Other State Agency Programs for COVID-19 Response	14.4
<b>Remaining Unallocated Funds</b>	<b>\$ 6.0</b>

Sources: Legislative Fiscal Office; Legislative Emergency Board documents.

**Figure 2: About two-thirds of local government CRF reimbursements have covered payroll and leave expenses through September 22, 2020**

CRF Reimbursement Category	Round 1 Request Amount	Total Requests as of 09/22	% of Total
Payroll expenses for employees dedicated to COVID-19***	\$26,042,856	\$48,510,727	53.3%
Paid sick and paid family and medical leave**	8,150,199	11,068,064	12.2%
Small business interruption grants*	N/A	8,267,466	9.1%
Telework capabilities	2,344,648	4,062,630	4.5%
Medical and protective supplies	1,489,792	3,231,053	3.6%
Care for homeless populations	1,292,320	2,448,955	2.7%
Disinfecting public areas and other facilities	952,372	2,267,546	2.5%
Public safety measures	843,000	2,182,885	2.4%
Public hospitals, clinics, and similar facilities	1,829,746	2,035,986	2.2%
Communication and enforcement	728,184	1,557,312	1.7%
Technical assistance on COVID-19 threat mitigation	647,927	1,009,674	1.1%
Emergency medical response expenses	124,569	926,444	1.0%
Other	191,138	762,902	0.8%
Quarantining individuals	405,983	651,645	0.7%
COVID-19-related expenses in county jails	330,604	562,659	0.6%
Food delivery to residents	279,780	340,245	0.4%
COVID-19 testing, including serological testing	115,401	302,653	0.3%
Unemployment insurance costs that will not be reimbursed by federal government*	N/A	286,219	0.3%
Telemedicine capabilities	101,706	169,731	0.2%
Distance learning tied to school closings	98,608	135,865	0.1%
Payroll support grants*	N/A	94,000	0.1%
Temporary public medical facilities	84,416	86,736	0.1%
<b>Total Reimbursement</b>	<b>\$46,053,247</b>	<b>\$90,961,396</b>	<b>100.0%</b>

Source: DAS CRF Reimbursement data

\*Reimbursements for economic supports were not allowed in Round 1

\*\*Based on our review this category also includes administrative leave

\*\*\*Based on our review payroll expenses were included in other categories as well



# Oregon

Kate Brown, Governor

## Department of Administrative Services

Office of the Chief Operating Officer

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October 16, 2020

Kip R Memmott, Director  
Secretary of State, Audits Division  
255 Capitol St. NE, Suite 500  
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division Final Draft Letter in regards to the CARES Act Overview.

Thank you for providing the Department of Administrative Services (DAS) the opportunity to respond to the recommendations included in the official letter. We appreciated the work and collaborative approach of the Audits Division staff. The letter provided potential issues and actions that can be taken by DAS to address said issues.

**In the judgement of the audit division team: DAS could help better ensure accuracy and reduce risks of expenses being questioned by:**

Audits Division Recommendations:

1. Reminding local governments to:
  - a. Check past and future submissions for math, date, and classification errors so they can make corrections prior to claiming all their CRF allocations;
  - b. Check to ensure that they have adequate documentation to support the individual transactions;
  - c. Consider whether to substitute low-risk expenses before the CRF deadline if they have taken an aggressive approach;
  - d. Document the precise federal guidance they relied on when concluding that costs are allowable for reimbursement.

DAS Response:

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	October 8, 2020	Rob Hamilton 971-719-3031

*Narrative for Recommendation 1*

On October 8, 2020, the DAS CRF Team sent a reminder email addressing the recommendations listed above to all local governments that have submitted a reimbursement request. Similar reminders will be sent intermittently until reimbursement requests are no longer accepted.

2. Requiring local governments to submit descriptions of their use of funds and a transaction-based summary schedule that ties to the reimbursement requested for future reimbursement requests.

DAS Response:

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Disagree	N/A	N/A

*Narrative for Recommendation 2*

Given the clear direction that DAS has received from the Legislature regarding an efficient and effective reimbursement process, we will respectfully choose to disagree with this recommendation. Any potential benefit of this recommendation does not outweigh the cost of slowing down the local government reimbursement process. As directed by the legislature, the two overarching objectives of the DAS administration of the CRF is to provide needed dollars to local governments as efficiently and effectively as possible in order to aid their response to the ongoing pandemic. Once contracts are in place, DAS is able to provide reimbursements within days of the request. In interactions with other states, it's been clear that there is no "one size fits all", and states are administering this emergency stimulus program differently, depending on various factors. Oregon has been able to get CRF out to local governments quicker than other states, using a process that invests local governments with shared responsibility over proper use and administration of CRF. While this approach may not identify all local government errors, nor will the recommended step, however, it would unquestionably slow the reimbursement process. No internal control system, no matter how well designed, eliminates the risks of errors and oversights, as noted in both the Oregon Accounting Manual's chapter on internal control and the U.S. Governmental Accountability Office's *Standards for Internal Control in the Federal Government* ("The Green Book") because an internal control system provides only reasonable, but not absolute assurance, that an objective will be achieved. We believe the approach we've used strikes the appropriate balance of reducing risk to an acceptable level while quickly providing needed CRF reimbursements to local communities.

3. Developing a sub-recipient monitoring plan that includes risk-based reviews of reimbursement accuracy and back-up documentation.

DAS Response:

<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Disagree	N/A	N/A

*Narrative for Recommendation 3*

Subrecipient monitoring and management responsibilities are outlined in §§200.330 – 200.332 of 2 CFR Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and a review by a pass-through entity (in this case, DAS) of reimbursement accuracy and back-up documentation is not required solely based on a pass-through entity’s risk assessment of the subrecipient. DAS is currently conducting its risk assessments of local government subrecipients, as required by §200.331(b) of Uniform Guidance and intends to use the results of the risk assessment primarily to educate its more than 330 subrecipients, as appropriate, of their responsibilities associated with expending federal awards. Given the small DAS CRF team and the currently unknown number of high-risk subrecipients, combined with the impending December 30, 2020 CRF deadline, the DAS CRF team cannot commit to perform a task that is not mandated. In its place, we are focused on fulfilling our responsibilities that are required under Uniform Guidance.

We would like to thank you for your audit team’s efforts and for the work they undertook on this subject. If you have any general questions about our response, please contact Lisa Upshaw, DAS Chief Audit Executive, at 971-719-3114.

Sincerely,



Katy Coba  
Chief Operating Officer / DAS Director

cc. George Naughton  
Kate Nass  
Rob Hamilton