



Robert Taylor  
Deputy Secretary of State

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March 6, 2015

The Honorable Ellen F. Rosenblum  
Attorney General  
Oregon Department of Justice  
1162 Court Street NE  
Salem, OR 97301

Dear Attorney General Rosenblum:

We have completed audit work of a selected federal program at the Department of Justice (department) for the year ended June 30, 2014.

CFDA Number	Program Name	Audit Amount
93.563	Child Support Enforcement	\$ 48,654,302

This audit work was not a comprehensive audit of your federal program. We performed this federal compliance audit as part of our annual Statewide Single Audit. The Single Audit is a very specific and discrete set of tests to determine compliance with federal funding requirements, and does not conclude on general efficiency, effectiveness, or state-specific compliance issues. The Office of Management and Budget (OMB) Circular A-133 identifies internal control and compliance requirements for federal programs. Auditors review and test internal controls for all federal programs selected for audit and perform specific audit procedures only for those compliance requirements that are direct and material to the federal program under audit. For the year ended June 30, 2014, we determined whether the department substantially complied with the following compliance requirements relevant to the federal program.

Compliance Requirement	General Summary of Audit Procedures Performed
Activities Allowed or Unallowed	Determined whether federal monies were expended only for allowable activities.
Allowable Costs/Cost Principles	Determined whether charges to federal awards were for allowable costs and that indirect costs were appropriately allocated.
Cash Management	Confirmed program costs were paid for before federal reimbursement was requested, or federal cash drawn was for an immediate need.

<b>Compliance Requirement</b>	<b>General Summary of Audit Procedures Performed</b>
Matching	Determined whether the minimum amount or percentage of contributions or matching funds was provided.
Reporting	Verified the department submitted financial and performance reports to the federal government in accordance with the grant agreement and that those financial reports were supported by the accounting records.
Subrecipient Monitoring	Determined whether the pass-through entity monitored subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements.

### **Noncompliance**

Noncompliance is a failure to follow compliance requirements, or a violation of prohibitions included in compliance requirements, that are applicable to a federal program. As described in the “Audit Findings and Recommendations” section, we identified noncompliance with federal requirements, which is required to be reported in accordance with OMB Circular A-133.

### **Internal Control Over Compliance**

Department management is responsible for establishing and maintaining effective internal control over compliance with program requirements. 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 that are appropriate in the circumstances for the purpose of expressing an 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 a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described below, that we consider to be significant deficiencies.

### **Audit Findings and Recommendations**

#### **Improve Controls and Ensure Compliance with Transparency Act Reporting**

Federal Awarding Agency:	Department of Health and Human Services
Program Title and CFDA Number:	Child Support Enforcement, 93.563
Federal Award Number and Year:	1304OR4005, 1404OR4005; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Federal regulations require recipients of federal awards totaling \$25,000 or more to report certain grant information in the Federal Funding Accountability and Transparency Act (FFATA) reporting system no later than the end of the month the awards are made to a subrecipient.

When we inquired, the department had not filed any FFATA reports for fiscal year 2014. This was due, in part, to a misunderstanding of the Child Support Program management's communication with the federal oversight agency. As a result, the department was not in compliance with FFATA reporting requirements.

**We recommend** management improve controls to ensure compliance with FFATA reporting requirements.

#### **Continue to Strengthen Controls Over Financial Reporting**

Federal Awarding Agency:	Department of Health and Human Services
Program Title and CFDA Number:	Child Support Enforcement, 93.563
Federal Award Number and Year:	1404OR4005; 2014
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance

Department management is responsible for designing and implementing controls to provide reasonable assurance that reports of federal awards submitted to the federal awarding agency include all activity of the reporting period, are supported by underlying accounting records, and are fairly presented in accordance with program requirements.

In the prior year's audit we were unable to determine if the quarterly financial reports were prepared entirely in accordance with program requirements and the department was unable to provide sufficient documentation to demonstrate that the report was complete and accurate.

During the current year's audit we reviewed the Child Support Enforcement Program's Financial Reports for the quarters ended March 31 and June 30, 2014. We found the March 31 quarter end report was complete and accurate in accordance with program requirements. For the June 30 quarter end, we found one reporting line, ADP Operations expenses, was overstated by \$24,547 due to certain data being accounted for in duplicate. Although we identified this error, we found the supporting documentation retained for the reports was improved, allowing us to determine whether the reports were complete, accurate, and prepared in accordance with program requirements.

**We recommend** department management continue to strengthen controls to ensure reported amounts are complete, accurate, and agree to accounting records; and we recommend management submit corrections for the miss-reported amounts for the quarter ended June 30, 2014.

### **Prior Year Finding**

In the prior fiscal year, we reported a significant deficiency related to the department's controls over reporting in a letter dated March 28, 2014. This finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2013; see Secretary of State audit report number 2014-09, finding number 2013-050. During fiscal year 2014, the department partially corrected the finding by improving the documentation maintained and documenting their reporting procedure. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2014, with a status of partial corrective action.

The significant deficiencies, along with your responses, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2014. Including your responses 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 each significant deficiency includes the information specified by the federal requirement, and only if the responses are 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 an 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 names of the contact persons responsible for corrective action.

Please respond by March 17, 2015 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

Attorney General Rosenblum  
Department of Justice  
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We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Sarah Anderson or Julianne Kennedy at (503) 986-2255.

Sincerely,

*Office of the Secretary of State, Audits Division*

JK:saa

cc: Monica Brown, Chief Financial Officer  
Kate Cooper Richardson, Child Support Division, Director  
Dawn Marquardt, Child Support Division, Deputy Director and Policy Chief  
Erin McDaniel, Child Support Division, Performance, Budget & Statistics Manager  
Maria Young, Accounting Manager  
George Naughton, Acting Director, Department of Administrative Services