

Office of the Secretary of State



Audits Division

Secretary of State

Gary Blackmer
Director

Robert Taylor
Deputy Secretary of State

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February 18, 2015

Major General Daniel R. Hokanson, The Adjutant General
Oregon Military Department
1776 Militia Way SE
Salem, Oregon 97309-5047

Dear General Hokanson:

We have completed audit work of the following federal program at the Oregon Military Department (department) for the year ended June 30, 2014.

| CFDA Number | Program Name | Audit Amount |
|-------------|---|---------------|
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) | \$ 10,518,893 |

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. |
| Eligibility | Determined whether only eligible individuals and |

| Compliance Requirement | General Summary of Audit Procedures Performed |
|---|--|
| | organizations receive assistance under federal programs, and amounts provided were calculated in accordance with program requirements. |
| Matching, Earmarking | Determined whether the minimum amount or percentage of contributions or matching funds was provided, and the minimum or maximum limits for specified purposes or types of participants were met. |
| Period of Availability of Federal Funds | Determined whether federal funds were used only during the authorized period of availability. |
| Reporting | Verified the department submitted financial 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. |
| Special Tests and Provisions | Determined whether the department complied with the additional federal requirements identified by the OMB. |

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 in the paragraph above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

Sincerely,

Office of the Secretary of State, Audits Division

cc: Dave Ferre, Deputy Director of State Affairs
Karl Jorgenson, Director, Financial Administration Division
Bryce Dohrman, Controller, Financial Administration Division
David Stuckey, Director, Office of Emergency Management
Laurie Holien, Deputy Director, Office of Emergency Management
Sean McCormick, Policy Advisor
Michael J. Jordan, Director, Department of Administrative Services