

Office of the Secretary of State

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Audits Division

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March 19, 2014

Tina Edlund, Acting Director
Oregon Health Authority
500 Summer Street NE, E-20
Salem, Oregon 97301-1097

Dear Ms. Edlund:

We have completed audit work of the following federal program at the Oregon Health Authority (department) for the year ended June 30, 2013.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
93.525	State Planning and Establishment Grants for Affordable Care Act Exchanges	\$ 47,128,463

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, 2013, 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

Compliance Requirement	General Summary of Audit Procedures Performed
	was requested, or federal cash drawn was for an immediate need.
Procurement and Suspension and Debarment	Ensured payments were in accordance with contract requirements and that the vendor was not suspended or debarred from receiving federal funds.
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.

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 [each] 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, as defined above.

Prior Year Finding

In the prior fiscal year, we reported a significant deficiency related to the department's suspension and debarment verification process in a letter dated 03/11/2013. This finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2012; see Secretary of State audit report number 2013-07, finding number 12-35. During fiscal year 2013, the department added debarment and suspension vendor self-certification language to all department purchase orders processed effective 03/18/2013, and requested such language be added to Oregon Department of Administrative Services (DAS) statewide price agreements. DAS reports this amendment will be added when statewide agreements come up for review. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2013, with a status of corrective action taken.

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 report 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 Kari Mott or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION



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

VDB:KEM:jas

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