



# Secretary of State Report of Audit Recommendations

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division

## Overview

Producing persuasive audits with recommendations to improve agency performance is one of the Audits Division's most important goals. We make several efforts to ensure our work is accurate, practical, and persuasive by regularly updating agency personnel on the audit results, performing internal quality control procedures, and discussing our draft report and its recommendations with management. We also ask for a written response from management, which we include with the audit report, regarding the audit findings and any plans or actions already underway to implement the recommendations.

The importance of producing persuasive audits is reflected in one of the Audits Division's key performance measures - the percent of recommendations implemented during the prior three fiscal years. About 86% of our recommendations have been reported by agencies as implemented or in the process of being implemented.

This goal is also reinforced by HB 3291, approved in the 2011 Session, which requires agencies to report to the Legislature regarding the actions they have taken in response to our audits. This report lists our more recent recommendations so Legislators can discuss them with the agency. We include a summary of the agency's response to our recommendations for the 2011 audits.

Each year, we survey and report agency progress in implementing our performance, information technology, and financial audit recommendations. For each recommendation, we ask the agency to provide a brief description of any actions taken and to tell us whether it has been:

- fully implemented/resolved,
- partially implemented - in progress,
- partially implemented – no further action to be taken,
- not yet started, or
- decline to implement.

For timing and workload reasons, we conduct our survey each fall, but generally wait a full year before we begin the follow up on a recommendation. For instance, in fall 2012, we began following up on recommendations we issued in FY 2011. In addition to recommendations issued in FY 2011, we also followed up on recommendations from reports issued in FYs 2009 and 2010 if they were still unresolved (i.e. have a status of partially implemented – in progress or not yet started).

This report contains information provided by the agencies. In some instances, we perform limited additional work, such as discussing progress with agency personnel and examining

pertinent documentation related to actions taken in response to our recommendations.

In addition to our annual review of recommendations, we conduct more extensive reviews of selected audits, focusing on implementation of recommendations from a single report. These reviews often include interviews, analysis of data, examination of files and documentation, as well as other relevant testing. For example, we return to the agencies to examine the actions taken on our annual Single Audit recommendations, which are conducted to determine agency compliance with Federal requirements, and report our own assessments in subsequent reports.

The following tables present the status of recommendations we issued during fiscal years 2009 – 2011. For fiscal year 2011, we have included a brief narrative summary of the agency’s response regarding the status and/or actions taken to implement the recommendations. Comments were not consistently gathered for recommendations issued in 2010 and 2009 and are not included. Except where noted, status information came from our annual review of recommendations.

The table is sorted by agency with the most recent audits first.

## Status of Audit Recommendations Issued in Fiscal Years 2009-2011

Agency/Recommendation	Fiscal Year Issued	Status	Summary of Agency Response on Actions Taken
<b>Administrative Services</b>			
<b>Administrative Services, Department of: Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011	Fully Implemented/ Resolved (1)	
We recommend department management ensure their federal expenditure data is complete and accurate for SEFA reporting.	2011	Fully Implemented/ Resolved	DAS management has stated they have added steps to the entry, review, and reconciliation process to prevent this type of data entry error from occurring in the future.
<b>Administrative Services, Department of (and other agencies): Agencies Should Explore Opportunities to Earn Purchase Card Rebates</b>	2010		
To assist in this effort, we also recommend DAS:	2010		
-Ensure US Bank's annual rebate report data is provided to state agencies that participate in the purchase card program;	2010	Fully Implemented/ Resolved	
-Explore options with US Bank to provide interim rebate reports to state agencies;	2010	Fully Implemented/ Resolved	
-On a trial basis, provide state agencies with significant purchase card spending with the option to use the mail code electronic payment method in the state accounting system and work with them to ensure accuracy of mail code selection; and	2010	Fully Implemented/ Resolved	
-Periodically assess the costs and benefits of providing a widely available electronic payment system, whether through upgrading the state accounting system, negotiating new terms with the purchase card provider, or some other mechanism.	2010	Fully Implemented/ Resolved	

<b>Administrative Services, Department of (and other agencies): State Cell Phone Plans: Closer Attention to Usage Could Create Savings</b>	2010		
We recommend the Department of Administrative Services work with cell phone vendors to ensure that electronic billing and usage data are available when needed.	2010	Fully Implemented/ Resolved	
<b>Administrative Services, Department of: State Data Center Operations Are Stable, But Some Areas Need Improvement</b>	2010		
In order to establish a common understanding with the majority of its customers regarding which critical services will be required or delivered at the SDC: We recommend that SDC management establish more robust service level agreements with all its customers	2010	Partially Implemented No Further Action to be Taken	
In order to provide efficient and cost effective services and appropriately plan for future needs:	2010		
• We recommend that SDC implement a configuration management system with associated procedures.	2010	Partially Implemented In Progress	
• We also recommend that management implement processes to develop and maintain performance metrics, and plan for future capacity needs.	2010	Partially Implemented No Further Action to be Taken	
In order to reduce delays in restoring state computer systems after a disaster: We recommend that SDC management assign a higher priority to disaster recovery and allocate sufficient resources to create and test disaster recovery plans to ensure timely restoration of the SDC operating environment.	2010	Partially Implemented In Progress	

<b>Administrative Services, Department of: State Data Center: Faster Progress Needed on Security Issues</b>	2010		
We recommend that DAS management revise the shared services governance structure to facilitate timely resolution of security issues. SDC governance should ensure that customers' needs are appropriately considered without encumbering SDC staffs' ability to implement timely solutions or carry out their security responsibilities.	2010	Decline to Implement	
We also recommend that SDC management:	2010		
-Formally assign an individual to be responsible for assuring both physical and logical access of SDC information assets. This individual should be accountable to senior management and have the authority and resources to implement security measures according to the enterprise security plan and its associated standards	2010	Partially Implemented No Further Action to be Taken	
-Develop and implement an SDC security plan with associated standards and procedures in accordance with the proposed Information Security Plan for the State of Oregon and the associated Statewide Information Security Standards document.	2010	Partially Implemented In Progress	
Take aggressive action to implement the recommendations included in our confidential security reports and the Pacific Northwest National Laboratory's security vulnerability assessment.	2010	Partially Implemented In Progress	

<b>Administrative Services, Department of: Enterprise Security Office Review</b>	2009		
We recommend the department fully comply with ORS 182.122 section (2) by developing a comprehensive state information security plan with associated standards, policies and procedures. The plan, including associated deliverables, should be formulated using recognized international methodologies and standards, such as those found in ISO 27001. In developing the state security plan, the department should ensure appropriate security measures, such as those found in ISO 27002, are defined for all critical information assets or asset classes based on their vulnerabilities, threats, and overall risk.	2009	Partially Implemented No Further Action to be Taken	
We recommend department management ensure vulnerability assessments of agency information systems are conducted as required by ORS 182.122 and that the department obtain and utilize the results of assessments performed by agencies for security planning purposes.	2009	Partially Implemented No Further Action to be Taken	
We recommend the department develop and implement plans as required by ORS 182.122 to review and verify the security of information systems operated by or on behalf of state agencies.	2009	Partially Implemented No Further Action to be Taken	
We recommend the department develop procedures to ensure that appropriate remedial actions will be taken to resolve security issues identified in vulnerability assessments, department reviews of agency security, results of forensic work, or in other evaluations and audits.	2009	Partially Implemented No Further Action to be Taken	
We recommend the department establish an appropriate project management framework to better control its information technology security projects. That framework should	2009	Partially Implemented No Further Action to be Taken	

ensure requisite project management tasks are completed before projects are approved.			
We also recommend the department discontinue further I&AM development until it has established a business need, obtained sufficient stakeholder buy-in, and developed a viable project plan.	2009	Fully Implemented/ Resolved	
<b>Administrative Services, Department of: Oregon State Payroll Application: Data and Program Integrity Ensured, But Security and Disaster Recovery Controls Inadequate</b>	2009		
We recommend that the department ensure system disaster recovery tests are conducted to validate and further refine recovery strategies, and ensure the State Data Center has the proven capability to timely recover enterprise infrastructure and coordinate enterprise recovery efforts.	2009	Partially Implemented No Further Action to be Taken	
We also recommend that State Controller's Division management obtain assurance that system backup tapes are viable and stored off-site.	2009	Fully Implemented/ Resolved	
We recommend that the department ensure the recommendations included in our confidential management letter are timely implemented.	2009	Fully Implemented/ Resolved	
<b>Administrative Services Department of: Oregon State Payroll Application Computer Controls Review</b>	2009		
We recommend that department management further restrict access to the system production libraries and ensure programming code compares are independently performed and evaluated.	2009	Fully Implemented/ Resolved	
We recommend that the department ensure the recommendations we included in the State Data Center	2009	Fully Implemented/ Resolved	

confidential security report are timely implemented.			
We recommend that the department obtain assurance that backup tapes are viable and stored off-site.	2009	Fully Implemented/ Resolved	
We also recommend that the department develop and test a comprehensive disaster recovery plan to ensure timely restoration of the system in the event of a major disruption. The plan should include a written service level agreement with the State Data Center clarifying each division's disaster recovery roles, responsibilities, and expectations.	2009	Partially Implemented No Further Action to be Taken	
<b>Administrative Services, Department of: State Data Center Review</b>	2009		
Establish an appropriate project management framework, and allocate resources, to ensure that data center consolidation objectives occur within the current SDC environment. That framework should include detailed plans directing how, when, and to what degree the SDC will consolidate network servers, system tools, mainframe operations and operating system platforms.	2009	Partially Implemented No Further Action to be Taken	
Allocate appropriate resources to develop and implement controls to: -ensure full control of the SDC operating environment and establish consensus with system owners, via formal service level agreements, regarding operating requirements and expectations; -establish standard operating procedures for job scheduling, backup, and tape management; -plan for and resolve performance and capacity management issues; -maintain a centralized configuration management system to document important information regarding the operating environment; and -track software licenses.	2009	Partially Implemented No Further Action to be Taken	



Assign a higher priority to disaster recovery by allocating sufficient resources to create and test disaster recovery plans to ensure timely restoration of the SDC operating environment. Those plans should also ensure that SDC efforts are coordinated with agency expectations and requirements to recover mission critical computer applications hosted at the SDC. The plans should be formalized through service-level agreements.	2009	Partially Implemented No Further Action to be Taken	
Implement the recommendations included in our confidential report.	2009	Partially Implemented No Further Action to be Taken	
<b>Administrative Services, Department of: Statewide Financial Management Application: Accounting System Continues to be Reliable, but Security and Disaster Recovery Risks Remain</b>	2009		
We recommend that the department ensure system disaster recovery tests are conducted to validate and further refine recovery strategies, and ensure the State Data Center has the proven capability to timely restore enterprise infrastructure and coordinate enterprise recovery efforts.	2009	Partially Implemented No Further Action to be Taken	
We also recommend that State Controller's Division management obtain assurance that system backup tapes are viable and stored off-site.	2009	Fully Implemented/ Resolved	
We recommend that the department ensure the recommendations included in our confidential management letter are timely implemented.	2009	Fully Implemented/ Resolved	

<b>Administrative Services, Department of: Statewide Financial Management Application Computer Controls Review</b>	2009		
We recommend that State Controllers Division and State Data Center management develop a written service level agreement to clarify each division's responsibilities and expectations for backup and disaster recovery services. That agreement should include assurance that backup tapes are viable and stored as directed.	2009	Partially Implemented No Further Action to be Taken	
We also recommend that the department develop and test comprehensive disaster recovery procedures to ensure timely restoration of R*STARS in the event of a major disruption. Those procedures should fully document the various recovery roles, responsibilities and expectations, including services that will be provided by the State Data Center.	2009	Partially Implemented No Further Action to be Taken	
We recommend that the department ensure the recommendations we included in the State Data Center confidential security report are timely implemented.	2009	Fully Implemented/ Resolved	

## Agriculture

<b>Agriculture, Oregon Department of (and other agencies): Measure 66 Funding: Fiscal Accountability for the 2007-2009 Biennium</b>	2011		
We recommend that OSP, DEQ, ODFW and ODA work with OWEB and the Department of Administrative Services (DAS) to ensure that interest earned on Measure 66 allocated funds is credited to accounts dedicated to Measure 66 activities.	2011	Fully Implemented/Resolved	The agencies met on 6/17/10 to discuss the recommendation. Following the November 2010 passage of Measure 76, which supplanted Measure 66, OWEB worked with DAS and the Treasurer's office to ensure structures were in place to ensure that Measure 76 Lottery Fund interest earned in the agencies' budgets was credited to the appropriate Measure 76 funds.
We further recommend these agencies work with OWEB and DAS to estimate the cumulative interest earnings lost over prior biennia and explore potential actions to obtain reimbursement.	2011	Decline to Implement	Agencies discussed the feasibility of estimating the interest earnings prior to 2007-09. The agencies discussed the difficulty of determining a methodology that would accurately calculate the interest for the previous biennia. For example, comprehensive and accurate data did not exist as some agency records for those past years were no longer available. Interest earnings were very low (.50%-.55%) in 2010 and 2011, and OWEB recently estimated interest earned at the agencies for the February and May 2011 distributions to be approximately \$3,000 for Measure 66. This is a negligible sum, which suggests that it likely would not have been cost effective to expend the resources to try to obtain reimbursement for 2010 and 2011.
<b>Agriculture, Oregon Department of (and other agencies): Measure 66 Funding: Financial Integrity, Effectiveness and Performance for the 2005-2007 Biennium</b>	2009		
We recommend that ODA continue efforts to ensure that all costs classified as Measure 66 capital expenditures demonstrably meet the definition of capital expenditure as defined in statute and Department of Justice guidance.	2009	Fully Implemented/Resolved	

## Aviation

<b>Aviation, Department of: Continue Improvements Over Contract Monitoring</b>	2011		
We recommend department management continue to improve its contract monitoring process to ensure legal sufficiency reviews are performed for all contracts as required by Oregon Statute.	2011	Fully Implemented/Resolved	Aviation has aligned with ODOT's contracting section to ensure we comply with all legal sufficiency review requirements. Aviation hired a contracting/Construction Program Manager with extensive experience in contract oversight. Aviation tracks and submits contracts, RFPs, ITBs needing DOJ review.
We recommend department management determine if there are any other contracts that lack legal sufficiency review and work with the Attorney General to determine a plan of action for contracts lacking legal sufficiency review.	2011	Fully Implemented/Resolved	DOJ declined to perform legal sufficiency review on contracts identified unless a legal issue was forthcoming.
<b>Aviation, Oregon Department of: Controls Over Contract Monitoring Should be Improved to Better Protect State Assets</b>	2010		
We recommend department management verify the changes made to its monitoring system will appropriately monitor contracts to ensure expenditures are within contract terms, valid contracts are in place and appropriate signatures and approvals are obtained prior to making contract payments.	2010	Fully Implemented/Resolved	
We recommend department management correct any remaining coding errors in the accounting system. We also recommend department management implement controls to ensure future expenditures are properly coded to the right project and federal grant award.	2010	Fully Implemented/Resolved	

## Commission for the Blind

<b>Blind, Oregon Commission for the: Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend commission management review and modify its current practice for charging indirect costs to ensure it complies with federal regulations	2011	Fully Implemented/Resolved	OCB indicated that they would change the way that costs are allocated so that they are allocated according to the cost allocation plan.
We recommend the commission refund the \$61,365 in overcharges to the appropriate federal agency.	2011	Fully Implemented/Resolved	OCB indicated that they would change the way that costs are allocated so that they are allocated according to the cost allocation plan.
We recommend commission management have a written agreement if it plans to rely on the other state agency to meet the maintenance of effort requirement.	2011	Fully Implemented/Resolved	OCB plans to have a written agreement when the other state agency will meet its maintenance of effort requirement.
We recommend the commission ensure that quarterly reports are properly completed.	2011	Fully Implemented/Resolved	OCB intends to complete the report accurately.
<b>Blind, Oregon Commission for the: Actions Needed to Ensure Funds Are Used for Client Purposes, Expenditures Are Controlled, and Assets Are Protected</b>	2009		
Ensure funds are used for client purposes and are clearly tied to business needs.	2009	Partially Implemented In Progress	
We recommend commission management comply with federal regulations, restrict services to allowed purposes only, and work with the federal agency that provided funding to resolve and return disallowed costs.	2009	Fully Implemented/Resolved	
We recommend commission management implement procedures to ensure competitive pricing is obtained and the state's interests are protected through the use of written contracts when appropriate.	2009	Partially Implemented In Progress	

We recommend commission management comply with state laws and administrative rules to help ensure business ventures are adequately planned before providing funding.	2009	Partially Implemented In Progress	
We recommend commission management develop and implement policies and procedures to guide staff who make client purchases, restrict purchases to those necessary and reasonable for client purposes, and ensure all purchases are appropriately reviewed and approved.	2009	Partially Implemented In Progress	
Obtain and review adequate documentation in accordance with the commission's administrative rules prior to authorizing payment for goods and services.	2009	Fully Implemented/Resolved	
Document vending machine information, including the percentage to be paid to the commission, to ensure all vending revenue is collected	2009	Partially Implemented In Progress	
Conduct inventory counts according to the commission's rules established for the Business Enterprise Program and invoice clients timely.	2009	Fully Implemented/Resolved	
We recommend commission management recover the \$766 of unsubstantiated expenses from the employee if the employee cannot provide adequate support for them.	2009	Fully Implemented/Resolved	
Ensure assets susceptible to theft are adequately controlled as required by state policy.	2009	Partially Implemented In Progress	
Ensure travel advances are reconciled timely and substantiated with original and complete receipts.	2009	Partially Implemented In Progress	
Ensure all funds received are deposited in the commission's cash accounts and properly recorded.	2009	Fully Implemented/Resolved	

## Corrections

<b>Corrections, Department of: Administration of Earned Time</b>	2011		
Develop clear policy and guidance to address: <ul style="list-style-type: none"> <li>• the definitions of a program failure and refusal;</li> <li>• the identification of all required Oregon Corrections Plan programs;</li> <li>• the definitions, use and management of program exit codes; and</li> <li>• treatment of disciplinary segregation.</li> </ul>	2011	Partially Implemented In Progress	The DOC implemented Correctional Case Management, DOC Policy 90.1.3, effective 6/15/11. This policy outlines case management practices for DOC staff including information about required case plan programs for inmates. Additionally, it outlines our multi-disciplinary team process for reviewing inmate behavior, making determinations about program removals and whether they affect earned time compliance. The Treatment Assignment Screening Committee will address the program exit codes. This committee was recently formed to provide a consistent process in assigning inmates to treatment and programming beds/slots. The department is limited in their ability to refine the exit codes because of inherent limitations (number of fields) of the Corrections Information System. DOC is not making any changes at this time with regard to the impact of disciplinary segregation on an inmate's earned time compliance. As outlined in the December 2010 response to the audit, an inmate may fail to earn or have retracted earned time due to the misconduct that lead to his/her placement in disciplinary segregation. Additionally, an inmate placed in segregation may still be able to participate in some required program activities.
Ensure that its rules and purpose statement are appropriately aligned.	2011	Partially Implemented In Progress	Through consultation with DOJ, the DOC has approved for temporary adoption a revised version of OAR 291, Div 97, Prison Term Modification. This revision states earned time is an incentive to inmates for appropriate institutional behavior, program participation, and for certain inmates, completion of qualifying education such as GED certificate. Once the temporary adoption occurs by the end of December 2012, the rule will no longer claim earned time is the "minimum" incentive necessary to inmates. Rather, the rule reflects the statutory allowances with regard to earned time and DOC's policies for granting, retracting and restoring earned time.
Review program enrollment procedures to ensure that willing inmates are entered into programs mandated by their Oregon Corrections Plan.	2011	Partially Implemented In Progress	As outlined in our response to the audit in December 2010, willingness is not the only factor affecting an inmate's placement into a required program. Despite significant budget cuts, the DOC has managed to continue to offer treatment and education programs to inmates, although supply is limited so not all inmates will be offered programming that may be deemed beneficial. We are developing a Treatment Assignment Screening Committee that will be used to ensure the inmates most in need of treatment are prioritized over inmates with lesser needs. Additionally, DOC staff will work with inmates throughout their incarceration to increase their motivation to participate in these programs. The idea is to build program readiness for inmates so they are more likely to be willing to participate in a program once it is offered and also be more likely to be successful in that program. Due to limitations in program space, however, we will continue to prioritize those inmates with the greatest need for placement into mandatory programs. Also, DOC has made progress on intended changes to OAR 291, Div 113, Workforce Development and Education Programs. Due to a department wide reorganization in April 2012, and other potential changes to work-based education programs we have not yet adopted a new revision to these rules.
Revise administrative rules to consistently address inmate accountability for misconduct during the four months prior to release.	2011	Decline to Implement	The DOC reviewed its rules with regard to the assumption of compliance at the final review conducted four months prior to an inmate's release. The DOC will continue to assume compliance at the time of the final review and is not making any changes to policy at this time because the department already has systems in place to ensure that earned time can be retracted for misconduct at any time during the inmate's incarceration. For inmates with a Level I or II misconduct during those final months prior to release, the hearings officer has an ability to retract the previously granted earned time due to the misconduct. Additionally, the hearings officer may use professional discretion and judgment and not order a retraction of earned time. DOC has other means in which to hold an inmate accountable for misconduct, such as a reduction to the inmate's PRAS (monetary) awards and/or reduction in incentive level.

<b>Corrections, Department of (and other agencies): State Cell Phone Plans: Closer Attention to Usage Could Create Savings</b>	2010		
We recommend DOC:	2010		
• obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses with other agencies as opportunities arise;	2010	Partially Implemented In Progress	
• regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted;	2010	Fully Implemented/ Resolved	
• update cell phone inventories now and immediately turn off all phones unaccounted for; and	2010	Fully Implemented/ Resolved	
• update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.	2010	Fully Implemented/ Resolved	
<b>Corrections, Department of: Automated Financial Accounting Manufacturing Inventory System Computer Controls Review</b>	2009		
We recommend department management fully implement formal program change management procedures, apply SDLC methodologies to address pending system obsolescence issues, and assign a system owner responsible for making important system development decisions.	2009	Partially Implemented No Further Action to be Taken	
We recommend that the department allocate sufficient resources to develop and test comprehensive disaster recovery procedures to ensure timely restoration of the system in the event of a major disruption. Those procedures should include a written service level	2009	Partially Implemented No Further Action to be Taken	



agreement with the State Data Center to clarify critical disaster recovery roles, responsibilities, and expectations.			
We recommend that department management implement the security recommendations included in our confidential security report.	2009	Partially Implemented No Further Acton to be Taken	
We also recommend that department management formalize security expectations and requirements with the State Data Center using a written service level agreement. It should also periodically obtain independent assurance that those expectations are being met.	2009	Partially Implemented No Further Acton to be Taken	

## Board of Dentistry

<b>Dentistry, Oregon Board of: Internal Control Review</b>	2009		
Separate responsibilities for handling and recording of cash receipts, or provide independent review of these functions as a compensating control.	2009	Fully Implemented/ Resolved	
Ensure checks are restrictively endorsed when received.	2009	Fully Implemented/ Resolved	
Implement the use of a daily cash receipts log or other summary listing of receipts to account for all receipts received.	2009	Fully Implemented/ Resolved	
Ensure compliance with the state's next day deposit statute.	2009	Fully Implemented/ Resolved	
Ensure cash accounts are reconciled monthly.	2009	Fully Implemented/ Resolved	
Improve the physical security over undeposited receipts.	2009	Fully Implemented/ Resolved	
Document controls over cash handling in the board's policies and procedures.	2009	Fully Implemented/ Resolved	
Board management improve contract monitoring controls to help provide assurance that contract payments are accurate and in compliance with contract terms. In addition, management should pursue recovery of the \$1,224 of overpayments made to one contractor. Moreover, if management continues to choose to reimburse parking expenses as part of the compensation to contractors, it should ensure the associated contract includes a provision for this type of expense.	2009	Fully Implemented/ Resolved	
Recover all identified overpayments and unallowed expenditures.	2009	Fully Implemented/ Resolved	

Implement procedures to ensure compliance with the state's travel policy, including requiring travel expense reimbursements paid by outside sources to be paid directly to the board or to vendors.	2009	Fully Implemented/ Resolved	
Ensure all travel awards personnel receive are reported.	2009	Fully Implemented/ Resolved	
Improve documentation of the director's approval of travel policy exceptions.	2009	Fully Implemented/ Resolved	
Submit travel policy exceptions to the State Controller for approval when required.	2009	Fully Implemented/ Resolved	
Ensure employees complete a "Use of Personal Vehicle on State Business" form in accordance with state policy; and	2009	Fully Implemented/ Resolved	
Provide training to staff to ensure they are familiar with state travel policy.	2009	Fully Implemented/ Resolved	
Consider the most economical option for ground transportation when planning business travel.	2009	Fully Implemented/ Resolved	

## Education

<b>Education, Oregon Department of: Multnomah Education Service District: Contracting Practices</b>	2009		
We recommend that MESD develop and implement written contracting policies and procedures to ensure: -contractors are selected using competitive screening and selection processes; -contracts are signed by all parties prior to receiving and paying for services; -contracts, leases and intergovernmental agreements are adequately administered and monitored; -contract files are organized and meet applicable documentation and retention requirements; and -intergovernmental agreements are used appropriately and a written record of how price was determined is maintained.	2009	Fully Implemented/ Resolved	
We recommend that these contracting policies and procedures clearly assign responsibilities to the Business Services, Legal Services, and Human Resources departments and program areas, and that staff assigned the responsibilities be adequately trained.	2009	Fully Implemented/ Resolved	
We recommend MESD further develop the monitoring capabilities of the existing contract management and accounting information technology systems.	2009	Fully Implemented/ Resolved	
We recommend MESD review all unsupported payments to contractors, and seek reimbursement for any payments determined inappropriate.	2009	Fully Implemented/ Resolved	
We recommend MESD seek reimbursement from the contractors we determined overcharged MESD and review payments made to these contractors outside our audit period for potential overcharges.	2009	Fully Implemented/ Resolved	

<b>Education, Oregon Department of: Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend department management improve review procedures and controls over its SEFA preparation process to ensure complete and accurate data is used to prepare the SEFA	2011	Fully Implemented / Resolved	ODE's Director of Financial Services planned to update ODE's accounting procedure to improve controls over SEFA preparation. He also planned to work with information technology staff to modify ODE's on-line Audit A-133 Report, which is used by districts, to account for SEFA post close adjustments.
<b>Education, Oregon Department of: Willamette Education Service District Needs To Be Accountable</b>	2010		
We recommend that WESD Board take the following actions:	2010		
Hire a Superintendent who will take the necessary steps to establish effective management controls, improve governance practices, increase transparency, and build a culture of integrity at WESD.	2010	Fully Implemented/ Resolved	
Build an accountability system that ensures all Board members obtain a sound understanding of WESD.	2010	Fully Implemented/ Resolved	
Obtain regular briefings from the Superintendent on plans, actions taken, and results regarding WESD operations, accomplishments and challenges.	2010	Fully Implemented/ Resolved	
Supplement its contract for the annual financial audit with periodic reviews of internal controls of purchasing, contracts, and other public stewardship topics. Schedule Board briefings for the independent financial auditors to present their results and any identified internal control weaknesses.	2010	Fully Implemented/ Resolved	
Establish regular communications with school district board members and management in order to improve transparency and working relationships.	2010	Fully Implemented/ Resolved	

Create a mechanism for WESD staff to communicate concerns directly to the Board.	2010	Fully Implemented/ Resolved	
Establish a communications system that ensures all Board members are informed of important issues facing WESD, and WESD management is responsive to requests for more detailed information.	2010	Fully Implemented/ Resolved	
Define roles and expectations and establish Board policies and recommendations to improve WESD.	2010	Fully Implemented/ Resolved	
Establish a WESD code of ethics and supporting policies and procedures that represent the Board's philosophy on public stewardship.	2010	Fully Implemented/ Resolved	
Review and ensure that WESD management resolves any issues of concern identified in communications with contract financial auditors, WESD staff, school district officials, and the Oregon Department of Education.	2010	Fully Implemented/ Resolved	
Conduct at least annual performance reviews of the Superintendent using methods that produce meaningful assessments and plans of action, such as those recommended by the Oregon School Boards Association.	2010	Fully Implemented/ Resolved	
We recommend the new WESD Superintendent and management take the following actions:	2010		
Establish expectations and act accordingly to create a working environment that values good stewardship of public resources.	2010	Fully Implemented/ Resolved	
Maintain an accounting system that produces transparent financial information showing how WESD managed and distributed its monies and services to school districts.	2010	Fully Implemented/ Resolved	

Upgrade WESD's system of internal policies, procedures, and internal controls to better align with best practices in other government organizations. Areas of particular concern that we identified include:	2010	Fully Implemented/ Resolved	
designating school districts monies separately within its accounting system;	2010	Fully Implemented/ Resolved	
documenting and maintaining a record of approvals and transactions;	2010	Fully Implemented/ Resolved	
developing and enforcing procedures for contracted services;	2010	Fully Implemented/ Resolved	
developing comprehensive policies and procedures in the areas of travel reimbursements, purchase cards, and catered meals;	2010	Fully Implemented/ Resolved	
developing and implementing written procedures that address financial reporting and accountability; and	2010	Fully Implemented/ Resolved	
ensuring the Business Services department and others have the authority to enforce written policies and procedures.	2010	Fully Implemented/ Resolved	
Improve communications with WESD employees and respond in a timely way to issues and concerns they raise.	2010	Fully Implemented/ Resolved	
We recommend the Oregon Superintendent of Public Instruction take the following action:	2010		
Identify and promote best practices among ESDs on the use and reporting of services, costs, and public resources with the purpose of increasing accountability and transparency.	2010	Partially Implemented In Progress	

## Employment

<b>Employment Department, Oregon: Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend department management periodically review its federal draw process to ensure that federal funds are properly drawn.	2011	Fully Implemented / Resolved	OED Management investigated the issues and took appropriate actions to ensure that review processes are timely and accurate. Financial services staff, in coordination with IT Staff, created new daily IT reports to facilitate the federal draw process, which allows Financial Services staff to review the proposed daily federal draw prior to the initiation of the draw.
We recommend department management ensure established control procedures are followed.	2011	Fully Implemented / Resolved	OED added new financial services staff and fully implemented tighter controls over the daily entries into the statewide financial management system (SFMS). The department revised its daily entry procedures so that an accountant 2 prepares the daily entry including control totals and a higher level accountant reviews and releases the daily entry in SFMS.
We recommend the agency continue to develop and implement a process to have each drawdown reviewed and approved by someone other than the person preparing the draw down.	2011	Fully Implemented / Resolved	OED hired additional accounting staff and implemented a management review and approval process of cash draws being performed by a subordinate staff.
We also recommend the agency implement a process to ensure that funds drawn are disbursed on the same day the funds are received.	2011	Fully Implemented / Resolved	The Department worked with the Department of Administrative Services and the US Treasury to modify the 2011 Treasury State Agreement (TSA). The TSA will demonstrate that the State expenditures occurred within another State agency, Oregon Department of Human Services, (DHS). DHS incurs the expenditure initially through CCD program approved Child Care subsidy payments, to which the Department then draws the federal funds to reimburse DHS. State Controller's Division did not recommend a revision to the 2010 TSA.
In addition, we also recommend the agency review the advance draws during the fiscal year and perform an interest calculation to determine if any funds should be remitted to the federal agency	2011	Fully Implemented / Resolved	Regarding the payroll-based advances noted, (approximately 1% of total CCD federal funds noted in the TSA), the Department will modify the language in the 2011 TSA to reflect a two day lead period to request funds in order to cover payroll. Language is modeled after another State agencies stated TSA, which also practices a two day lead cash draw for administrative purposes. State Controller's Division is in agreement of the Departments proposed TSA language modifications requested.
We recommend that the agency implement a policy to monitor subrecipients audit requirements, regardless of the type of entity.	2011	Fully Implemented / Resolved	OED plans to use a letter with new contracts regarding federal audit requirements of the Single Audit Act amendments of 1996 to all client services and general services contractors. Per their contract or agreement, if the contractor received at least \$500,000 in federal awards from all federal sources in the twelve month period prior to the current contract date, they must submit a copy of their most current audit which lists each source from which they received Federal funds. Included with the letter is a certification form that states the contractor is not required to submit an audit because they have not received more than \$500,000 in federal funds from all federal sources. The certification must be sent to Oregon Employment Department Child Care Division within thirty days of receipt of request.  Department staff will keep audits or certification letters in the contract files for the current contract year. Contractors that have not sent a copy of their audit or certification letter will be contacted within sixty days of the date of the original request letter. Withholding of payment or payments may be a consequence of non-compliance per the contract's terms and conditions. Department staff will also confirm expenditures on the federal audit clearinghouse website, <a href="http://harvester.census.gov/sac/dissemin/disclaim.html">http://harvester.census.gov/sac/dissemin/disclaim.html</a> .



			The Department does have a clear understanding of the requirements for subrecipient monitoring, and that it had procedures in place that met the requirements of the Single Audit Act and the statewide application of that Act by complying also with the Oregon Accounting Manual (OAM 30.40.00.PR). The State Controller's Division is responsible for coordination of subrecipient monitoring across all state agencies.
We also recommend if the subrecipient does not require an audit, that the agency obtain a certification from the subrecipient or written documentation that such an audit is not required.	2011	Fully Implemented / Resolved	<p>OED plans to use a letter with new contracts regarding federal audit requirements of the Single Audit Act amendments of 1996 to all client services and general services contractors. Per their contract or agreement, if the contractor received at least \$500,000 in federal awards from all federal sources in the twelve month period prior to the current contract date, they must submit a copy of their most current audit which lists each source from which they received Federal funds. Included with the letter is a certification form that states the contractor is not required to submit an audit because they have not received more than \$500,000 in federal funds from all federal sources. The certification must be sent to Oregon Employment Department Child Care Division within thirty days of receipt of request.</p> <p>Department staff will keep audits or certification letters in the contract files for the current contract year. Contractors that have not sent a copy of their audit or certification letter will be contacted within sixty days of the date of the original request letter. Withholding of payment or payments may be a consequence of non-compliance per the contract's terms and conditions. Department staff will also confirm expenditures on the federal audit clearinghouse website, <a href="http://harvester.census.gov/sac/dissem/disclaim.html">http://harvester.census.gov/sac/dissem/disclaim.html</a>.</p> <p>The Department does have a clear understanding of the requirements for subrecipient monitoring, and that it had procedures in place that met the requirements of the Single Audit Act and the statewide application of that Act by complying also with the Oregon Accounting Manual (OAM 30.40.00.PR). The State Controller's Division is responsible for coordination of subrecipient monitoring across all state agencies.</p>
Also, if the agency passes ARRA funds to a subrecipient, we recommend the agency implement policies to ensure the subrecipient is registered with CCR prior to passing through the funds.	2011	Fully Implemented / Resolved	The department plans to ensure that all contractors receiving ARRA funds have a CCR and related Dun & Bradstreet number (DUNS) to be in compliance with the ARRA requirements.
We recommend department management strengthen controls to ensure that claimants receive only the benefits allowed under the Unemployment Insurance program.	2011	Fully Implemented / Resolved	OED Benefit's staff, (Benefit's), in coordination with IT Staff worked together to revise their internal controls to address the issue. In doing so, they created a dual check process that includes both an automated systems validation and manual staff review.

## Energy

<b>Energy, Department of : Strengthen Procedures and Documentation</b>	2011		
To bolster contracting procedures and controls, the Department should:	2011		
• Ensure Department contract evaluators submit a signed statement of independence that discloses any potential personal and professional relationships with contract proposers;	2011	Fully Implemented/Resolved	Contract evaluators sign and submit a statement of independence and non-disclosure form prior to evaluating contracts. Form is kept in contract file.
• Consider enhancing the criteria the Department uses to score potential contractors' cost proposals;	2011	Fully Implemented/Resolved	Criteria for contract scoring is developed by the group soliciting the services. Contract staff assist in ensuring appropriate criteria is set and weighted accordingly.
• Ensure justification for changes to original contractor evaluation scores is consistently documented and explained;	2011	Fully Implemented/Resolved	Evaluation score changes are dated and initialed by the evaluator after the evaluator provides support or justification for the change.
• Ensure deliverables are clearly defined in contracts;	2011	Fully Implemented/Resolved	Contract staff verifies deliverables are clearly defined and appropriate for the contract.
• Require all changes in sub-contractor hourly rates and other charges to be reviewed and approved by the Department, as well as the general contractor; and	2011	Fully Implemented/Resolved	Approval is required for all sub-contractor hourly rate changes as well as rate changes for the general contractor. Changes to hourly rates require an amendment process with approval from Budget, the Finance & Operations Manager, the appropriate Division Administrator, and the Director.
• Ensure all future contracts include False Claims Act provisions.	2011	Fully Implemented/Resolved	Contract staff ensures all contracts now include said provisions.
To ensure the best use of public resources, the Department should:	2011		
• Require a written evaluation of the expected benefits of a sponsorship in comparison to its cost; and	2011	Fully Implemented/Resolved	A write-up is done which answers a set of criteria questions. These questions cover the effort supported, why it's important, why sponsorship should occur, and the benefit for Oregonians.
• Establish guidelines, limits, and a budget for the sponsorships the Department will promote for a given time period.	2011	Fully Implemented/Resolved	Potential sponsorships and related information is captured in a spreadsheet each biennium. A budget limit for sponsorships is set for the biennium. Potential sponsorships are given a priority ranking and final expenditure approval comes from the Director.

To enhance monitoring of self-reported information used for energy supplier assessments:	2011		
<ul style="list-style-type: none"> <li>Consider requiring energy suppliers to have their self-reported gross revenues independently verified to ensure the reasonableness of reported amounts.</li> </ul>	2011	Partially Implemented In Progress	ODOE is involving stakeholders to help ensure any changes made consider other required reporting to the PUC and Federal Government and that proposed changes don't cause an unreasonable burden to energy suppliers.
To improve collection procedures for accounts receivable:	2011		
<ul style="list-style-type: none"> <li>Ensure collection letters are promptly sent to entities with past due accounts, adequate progressive action is taken, and excessively delinquent accounts are turned over to the appropriate entities for collection; and</li> </ul>	2011	Fully Implemented/Resolved	An internal policy has been developed and implemented. Once an account is more than 90 days past due it is either turned over to a third party or the Department of Revenue. The policy outlines collection steps which includes letters and phone contacts.
<ul style="list-style-type: none"> <li>Develop internal policies and procedures for the accounts receivable collection process.</li> </ul>	2011	Fully Implemented/Resolved	A policy was written which includes debtor contact, record keeping, liquidated accounts, referrals to collections and account write-offs, payment plans, and bankruptcies.
To improve physical and electronic information security:	2011		
<ul style="list-style-type: none"> <li>Develop a security incident response plan and complete an updated business continuity plan; and</li> </ul>	2011	Partially Implemented In Progress	A security incident response plan has been developed and approved and an agency business continuity plan has been drafted. Priority business continuity issues which relate to response plans for a nuclear emergency and petroleum shortage plans have been approved by the Director and are current.
<ul style="list-style-type: none"> <li>Assign responsibility for and ensure regular back-ups of databases outside of the Department are performed.</li> </ul>	2011	Fully Implemented/Resolved	Back-ups of databases outside of ODOE are occurring regularly by an assigned provider.

## Environmental Quality

<b>Environmental Quality, Department of: Increase Laboratory Productivity to Better Meet Customer Needs</b>	2011		
To improve the Laboratory's turnaround time and operate at maximum capacity, we recommend that the Department of Environmental Quality:	2011		
<ul style="list-style-type: none"> <li>Evaluate available LIM system options and implement one with automatic data upload and streamlined quality assurance review modules.</li> </ul>	2011	Partially Implemented In Progress	Immediately following receiving the final recommendations of the Secretary of State audit, the Laboratory and Environmental Assessment Division initiated a process to secure funding for the purchase of a new commercial off the shelf LIM System. Funding was approved, system requirements and bid evaluation criteria were developed, and the procurement process was completed. LEAD has purchased a system the Element system from Promium. The system is currently being installed, staff trained, and should go fully functional February 2013.
<ul style="list-style-type: none"> <li>Develop a performance measurement system to help improve Laboratory processes and align decisions to meet Laboratory objectives.</li> </ul>	2011	Fully Implemented/Resolved	DEQ is implementing an outcome based management system. As part of this process LEAD has developed and is tracking measures for productivity, turnaround time, and quality management. Where performance objectives are not being achieved a seven step problem solving methodology is being used.
<ul style="list-style-type: none"> <li>Develop a cost accounting system or other method to track the Laboratory's analytical productivity and costs, and use this data to allocate resources to the analytical units to best maximize the Laboratory's capacity.</li> </ul>	2011	Partially Implemented In Progress	Steps have been taken to improve the LEAD cost allocation system. The cost allocation methodology was evaluated and improvements include updating allocations quarterly and LEAD working closer with the business office in tracking of costs and revenue.
<ul style="list-style-type: none"> <li>Consider working with the Legislative Fiscal Office and the Budget and Management Division to establish a separate analytical laboratory budget. At a minimum, involve laboratory management throughout the budget process, and ensure the budget process incorporates cost information for analytical services provided to the Divisions and allows for services to external customers.</li> </ul>	2011	Partially Implemented In Progress	LEAD is more engaged in the budgeting process with the Divisions. We now have a primary budget contact at LEAD who works with the budget analyst from all three major Divisions. This has reduced delays and other problems in getting necessary budget approvals for staffing requests and requisitions. Additional work is needed around contracting with external customers and increasing flexibility of funding sources within and between Divisions.
<ul style="list-style-type: none"> <li>Provide the Laboratory with additional flexibility to make resource decisions to best respond to DEQ's service needs, and explore opportunities to increase utilization of Laboratory capacity through outside customers.</li> </ul>	2011	Not Yet Started	Working through the enterprise model, currently being developed for state government, may provide a path forward for this objective. DEQ is lead in working with the other natural resource and public health organizations to better define how the enterprise approach could be implemented.

To most effectively manage the adverse impacts of point sources of pollution on Oregon's waters, DEQ should continue its diligent efforts to reduce the NPDES backlog.	2011	Partially Implemented In Progress	DEQ has conducted an Outcome-based Management Breakthrough (process improvement activities) and is now in the process of implementing the recommendations from the breakthrough. • Some of the recommendations will improve DEQ's ability to reduce the permitting backlog. • These process improvements will be hindered in part due to resource constraints. Staffing levels in the water quality permitting program are expected to be reduced due to revenue shortfalls that will result in staffing cuts in July 2013. Already, some positions are being held vacant reflecting the lack of revenue, impeding our ability to operate at our current legislatively-approved staffing levels.
<b>Environmental Quality, Department of: (and other agencies): Measure 66 Funding: Fiscal Accountability for the 2007-2009 Biennium</b>	2011		
We recommend that OSP, DEQ, ODFW and ODA work with OWEB and the Department of Administrative Services (DAS) to ensure that interest earned on Measure 66 allocated funds is credited to accounts dedicated to Measure 66 activities.	2011	Fully Implemented/Resolved	The agencies met on 6/17/10 to discuss the recommendation. Following the November 2010 passage of Measure 76, which supplanted Measure 66, OWEB worked with DAS and the Treasurer's office to ensure structures were in place to ensure that Measure 76 Lottery Fund interest earned in the agencies' budgets was credited to the appropriate Measure 76 funds.
We further recommend these agencies work with OWEB and DAS to estimate the cumulative interest earnings lost over prior biennia and explore potential actions to obtain reimbursement.	2011	Decline to Implement	Agencies discussed the feasibility of estimating the interest earnings prior to 2007-09. The agencies discussed the difficulty of determining a methodology that would accurately calculate the interest for the previous biennia. For example, comprehensive and accurate data did not exist as some agency records for those past years were no longer available. Interest earnings were very low (.50%-.55%) in 2010 and 2011, and OWEB recently estimated interest earned at the agencies for the February and May 2011 distributions to be approximately \$3,000 for Measure 66. This is a negligible sum, which suggests that it likely would not have been cost effective to expend the resources to try to obtain reimbursement for 2010 and 2011.

## Fish and Wildlife

<b>Fish and Wildlife, Oregon Department of (and other agencies): Measure 66 Funding: Fiscal Accountability for the 2007-2009 Biennium</b>	2011		
We recommend that OSP, DEQ, ODFW and ODA work with OWEB and the Department of Administrative Services (DAS) to ensure that interest earned on Measure 66 allocated funds is credited to accounts dedicated to Measure 66 activities.	2011	Fully Implemented/Resolved	The agencies met on 6/17/10 to discuss the recommendation. Following the November 2010 passage of Measure 76, which supplanted Measure 66, OWEB worked with DAS and the Treasurer's office to ensure structures were in place to ensure that Measure 76 Lottery Fund interest earned in the agencies' budgets was credited to the appropriate Measure 76 funds.
We further recommend these agencies work with OWEB and DAS to estimate the cumulative interest earnings lost over prior biennia and explore potential actions to obtain reimbursement.	2011	Decline to Implement	Agencies discussed the feasibility of estimating the interest earnings prior to 2007-09. The agencies discussed the difficulty of determining a methodology that would accurately calculate the interest for the previous biennia. For example, comprehensive and accurate data did not exist as some agency records for those past years were no longer available. Interest earnings were very low (.50%-.55%) in 2010 and 2011, and OWEB recently estimated interest earned at the agencies for the February and May 2011 distributions to be approximately \$3,000 for Measure 66. This is a negligible sum, which suggests that it likely would not have been cost effective to expend the resources to try to obtain reimbursement for 2010 and 2011.
<b>Fish and Wildlife, Oregon Department of (and other agencies): Agencies Should Explore Opportunities to Earn Purchase Card Rebates</b>	2010		
We recommend the four agencies that missed the rebate periodically explore the available strategies and analyze the associated costs and benefits of obtaining the annual volume and performance purchase card rebates offered through US Bank.	2010	Fully Implemented/Resolved	
We also recommend these four agencies consider the following specific strategies:	2010		
-ODFW consider changing from monthly payment to a more frequent basis, and exploring options for electronic payment and interim rebate reports.	2010	Fully Implemented/Resolved	

<b>Fish and Wildlife, Oregon Department of: Follow-Up Report on Capital and Non-Capital Assets</b>	2009		
Correct the department's accounting records to address the identified overstatements in accumulated depreciation and depreciation expense.	2009	Fully Implemented/Resolved	
Review the formula used for calculating depreciation and ensure assets are depreciated correctly.	2009	Fully Implemented/Resolved	
Review the federally funded/owned assets and ensure all are recorded in the state accounting system in accordance with government accounting standards and depreciated, as appropriate.	2009	Fully Implemented/Resolved	
Locate the 19 assets that could not be found during our testing. In addition, ensure adherence with the inventory process to verify that proper procedures are followed for asset disposals, including the preparation of the PDR forms.	2009	Fully Implemented/Resolved	
Comply with state policy and ensure that a PDR form is prepared for each disposed asset and is properly approved by management. In addition, ensure the status and the PDR form number are appropriately reflected for each asset in the property ledgers. Finally, review the process for managing the PDR forms and design a method for cross-referencing the forms to the related inactive asset in the property ledgers.	2009	Partially Implemented In Progress	
Record the cost of the fishway and ensure compliance with state capitalization policies.	2009	Fully Implemented/Resolved	
Ensure compliance with department policies regarding approval authority for capital asset purchases.	2009	Fully Implemented/Resolved	

<b>Fish and Wildlife, Oregon Department of (and other agencies): Measure 66 Funding: Financial Integrity, Effectiveness and Performance for the 2005-2007 Biennium</b>	2009		
We recommend the department (ODFW) take the following actions:	2009		
-develop and document a consistent methodology for reporting its progress in meeting its key performance measure for reducing unscreened priority water diversions;	2009	Fully Implemented/Resolved	
-determine whether it needs to apply this methodology to past key performance measure reporting and develop an updated report, if appropriate; and	2009	Fully Implemented/Resolved	
-assess records management controls and strengthen them as needed.	2009	Fully Implemented/Resolved	
We recommend the department (ODFW) determine the appropriate length of time for retaining documentation necessary to support reported performance for WOSRP, modify the existing retention policy to address that need, provide training on how staff should implement this policy, and provide oversight to ensure staff retains proper documentation and such documentation is accessible.	2009	Fully Implemented/Resolved	
We recommend ODFW ensure that costs charged as Measure 66 capital expenditures demonstrably meet the definition of capital expenditure as defined in statute and guidance provided by the Department of Justice.	2009	Fully Implemented/Resolved	



## Forestry

<b>Forestry, Oregon Department of (and other agencies): Agencies Should Explore Opportunities to Earn Purchase Card Rebates</b>	2010		
We recommend the four agencies that missed the rebate periodically explore the available strategies and analyze the associated costs and benefits of obtaining the annual volume and performance purchase card rebates offered through US Bank.	2010	Fully Implemented/Resolved	
We also recommend these four agencies consider the following specific strategies:	2010		
-ODF consider adjusting its billing cycle period, establishing a clearing account, developing electronic tools to automate cost allocation, and exploring options for electronic payment and interim rebate reports.	2010	Fully Implemented/Resolved	
<b>Forestry and State Lands, Departments of: Review of Common School Fund Forest Land Management Costs</b>	2009		
We recommend the Department of Forestry work with the Department of State Lands to clearly define and implement a current basis for allocating administrative costs to the Common School Fund.	2009	Fully Implemented/Resolved	

<p>We recommend the Department of Forestry develop and implement procedures to:</p> <ul style="list-style-type: none"> <li>•require that all programs benefiting from an allocated activity be included in the administrative and program allocations;</li> <li>•document the basis used for each program allocation type and require that the basis be regularly updated; and</li> <li>•centrally monitor compliance with the allocation process in the district and area offices.</li> </ul>	2009	Fully Implemented/Resolved	
<p>We recommend the Department of Forestry add the accounting codes necessary to identify direct and indirect charges.</p>	2009	Fully Implemented/Resolved	
<p>We recommend the Department of Forestry and Department of State Lands jointly develop a plan to identify and recover any significant overcharges and undercharges made to the Common School Fund.</p>	2009	Fully Implemented/Resolved	
<p>We recommend the Department of Forestry either bill actual costs periodically, such as monthly, or work with State Lands to modify the agreement.</p>	2009	Fully Implemented/Resolved	
<p>We also recommend the Department of Forestry and Department of State Lands jointly agree on an invoice presentation that clarifies charges.</p>	2009	Fully Implemented/Resolved	

## Health Licensing

<b>Health Licensing Agency, Oregon: An Opportunity Exists to Better Manage Wireless Communication Resources</b>	2010		
We recommend agency management re-evaluate its wireless communication needs to ensure agency resources are expended on services that are necessary for productive business operations	2010	Fully Implemented/ Resolved	

## Housing and Community Services

<b>Housing and Community Services, Oregon Department of: Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend department management ensure program monitoring is performed and adequately documented in compliance with federal requirements and the approved state plan	2011	Fully Implemented / Resolved	Title 42 of the United States Code (Chapter 106, Section 9914) over the Community Services Block Grant (CSBG), requires the department to conduct periodic onsite subrecipient reviews. After being notified of this deficiency, the process was changed to review the ARRA funds, as well as the non-ARRA CSBG funding during the onsite reviews.
We recommend department management ensure monitoring of subrecipient requests for cash draw downs is performed in compliance with federal requirements.	2011	Partially Implemented / In Progress	OHCSD begun to ensure that every funding stream has a review done during monitoring of the Subrecipients' Request for Funds. The Federal Compliance Monitor has updated his process and will continue reviewing cash requests to comply with the Cash Management Section of the OMB Compliance Supplement for all funding streams.
We recommend the department ensure all A-133 audits are adequately reviewed and the proper follow-up is performed.	2011	Not Yet Started	OHCSD will work to ensure all A-133 audits are adequately reviewed and the proper follow-up is performed.
We recommend department management strengthen its controls over federal reporting by regularly reconciling OPUS to SFMA.	2011	Fully Implemented / Resolved	OHCSD agrees that the interim reports are not reconciled between OPUS and the accounting system. However, for final reports a reconciliation between systems is performed.

## Human Services

<b>Human Services, Department of: Adequate Computer Controls in Place for the Medicaid Management Information System</b>	2011		
<ul style="list-style-type: none"> <li>Take action to further expedite resolution of the erroneous transactions that resulted from system errors.</li> </ul>	2011	Fully Implemented/ Resolved	During the startup phases of our new MMIS, there were many identified system defects. Correction of these defects took many months of time and significant levels of resources, but at the time of this writing, all have been corrected and our MMIS has been retro-certified by CMS back to nearly our first go-live date. Additionally, service level expectations have been established as part of our contract with our MMIS vendor (HP) that outline the expected effort levels and correction timeframes for identified defects - dependent upon the agreed upon levels of severity of the defects. Adherence to these service level agreements is closely monitored. In addition, the payment reconciliation process identified in our original response was successfully completed by the December 30, 2011, extended target date.
<ul style="list-style-type: none"> <li>Implement the recommendations provided in our confidential security letter.</li> </ul>	2011	Partially Implemented In Progress	The Oregon Health Authority and Department of Human Services have partially implemented the recommendations provided in the confidential security letter.
<b>Human Services, Department of: Office of Vocational Rehabilitation Services: Save on Vocational Rehabilitation Costs to Serve More Clients</b>	2011		
In order to save costs OVRs should:	2011		
<ul style="list-style-type: none"> <li>Ensure counselors work with clients to approve realistic employment plans by better identifying impediments to future employment and discontinuing payments when clients show an inability to achieve the employment goal.</li> </ul>	2011	Fully Implemented/Resolved	The program offered its new counselor training in September and December 2010, and will continue to offer it on a regularly scheduled basis. The program will provide training on plan development including appropriately ensuring clear client expectations and appropriate follow-up on any prior problems when clients return. Training will be prioritized for new counselors and counselors in need of additional training. On a go-forward basis, OVRs will continue to provide training, as well as utilize regional resources, to improve counselors' skills to provide effective and cost appropriate services and to promote better counselor decision-making.
<ul style="list-style-type: none"> <li>Ensure counselors adhere to the employment plan and only approve expenses directed toward employment impediments and employment goal achievement.</li> </ul>	2011	Fully Implemented/Resolved	The OVRs Policy Manual was updated and finalized effective 5/25/2011. Sections were modified to clarify issues addressed in this recommendation. OVRs has enhanced its automated case management system so that services identified in a client's case plan are linked to services being authorized as the plan is implemented. This automation means that an individual counselor cannot pay for services that are not detailed in the plan or extend services without amending the plan. This enhancement was made available when the newest version of the Oregon Rehabilitation Case Automation System (ORCA) was implemented winter 2010.
<ul style="list-style-type: none"> <li>Consider using a fee schedule to ensure a reasonable cost to the program for commonly purchased services.</li> </ul>	2011	Partially Implemented In Progress	OVRs reviewed and revised its Medical Restoration policy in order to provide more effective guidance on medical fees. Policy revision was completed 5/25/2011. OVRs is exploring options for a standardized fee schedule.

<ul style="list-style-type: none"> <li>• Monitor counselor spending approvals to ensure the most prudent decisions are made.</li> </ul>	2011	Fully Implemented/Resolved	OVRs has established a goal to reduce the average cost per case served by 20% from comparable FFY 2008 levels by FFY 2012. This will be accomplished through the implementation of the Program Improvement Plan and close monitoring of program expenditures while simultaneously maintaining the quality of employment outcomes.
<ul style="list-style-type: none"> <li>• Establish realistic budgets for counselors and branch offices that are based on client types, economic conditions, and other related factors.</li> </ul>	2011	Fully Implemented/Resolved	OVRs reviewed staff spending authority levels. It was determined that the most effective method is to distribute partial funding into counselor caseloads (in the ORCA case management system) every six months so that central office can monitor ongoing spending patterns throughout the year.
<ul style="list-style-type: none"> <li>• Consider reviewing and revising the client contribution policy.</li> </ul>	2011	Decline to Implement	OVRs asked the State Rehabilitation Council (SRC) to partner with them in a review of the current participation contribution policy. OVRs developed the consumer's contribution policy with the SRC, and any change in the existing policy would require their approval. OVRs engaged the SRC in a discussion about the level of the participant's contribution as a percentage of income as well as the income threshold for contributing to the cost of services. The SRC moved to maintain current client contribution levels.
<ul style="list-style-type: none"> <li>• Continue with the addition of client maintenance system controls such as the current effort to link authorizations and payments to plan services.</li> </ul>	2011	Fully Implemented/Resolved	OVRs has enhanced its automated case management system so that services identified in a client's case plan are linked to services being authorized as the plan is implemented. This automation means that an individual counselor cannot pay for services that are not detailed in the plan or extend services without amending the plan. This enhancement was made available when the newest version of the Oregon Rehabilitation Case Automation System (ORCA) was implemented winter 2010.
In order to help increase client success rates OVRs should:	2011		
<ul style="list-style-type: none"> <li>• Ensure counselors develop and adhere to milestones within employment plans and take quick, appropriate actions if those milestones are not met.</li> </ul>	2011	Fully Implemented/Resolved	OVRs revised the case closure policy to provide more specific guidance for counselors regarding conditions under which an individual's case file can be closed. Over the last two years, training has been provided to counseling staff on how to identify and intervene when participant motivational issues impede engagement in the process and hinder progress with plan services. As a best practice, counselors are being asked to routinely use this methodology when a participant has failed to make sufficient progress toward plan benchmarks. After consulting with the Rehabilitation Services Administration (RSA), the OVRs Executive Team and State Rehabilitation Council Policy Committee approved the new policy in August 2010. The State Rehabilitation Council Executive Committee approved this policy in September 2010. Training for all staff was completed.
<ul style="list-style-type: none"> <li>• Establish higher rehabilitation goals for counselors and take constructive actions when those goals are not met.</li> </ul>	2011	Fully Implemented/Resolved	There are two ways to increase employment outcomes: (a) increase the survival rate of clients enrolled in the program that achieve successful employment, and (b) improve counselor-decision making and case management. OVRs has put into practice a number of strategies to address both issues, including reinforcing expectations with our counselors, monitoring their efforts, and taking appropriate management actions. As a result, employment outcomes have increased by 30% over the past two years.

<ul style="list-style-type: none"> <li>• Ensure counselors establish clear client expectations.</li> </ul>	2011	Fully Implemented/Resolved	In February 2009, the program revised its new counselor training to more narrowly focus on case management and critical case questioning. In March 2009, this class was conducted regionally across the state and was attended by new counseling staff and counselors who would benefit from refresher training. The program offered training again in September and December 2010, and will continue to offer it on a regularly scheduled basis. The program will provide training on plan development including appropriately ensuring clear client expectations and appropriate follow-up on any prior problems when clients return. Training will be prioritized for new counselors and counselors in need of additional training. On a go-forward basis, OVRs will continue to provide training, as well as utilize regional resources, to improve counselors' skills to provide effective and cost appropriate services and to promote better counselor decision-making.
<ul style="list-style-type: none"> <li>• Ensure counselors address any prior issues when clients return.</li> </ul>	2011	Fully Implemented/Resolved	In February 2009, the program revised its new counselor training to more narrowly focus on case management and critical case questioning. In March 2009, this class was conducted regionally across the state and was attended by new counseling staff and counselors who would benefit from refresher training. The program offered training again in September and December 2010, and will continue to offer it on a regularly scheduled basis. The program will provide training on plan development including appropriately ensuring clear client expectations and appropriate follow-up on any prior problems when clients return. Training will be prioritized for new counselors and counselors in need of additional training. On a go-forward basis, OVRs will continue to provide training, as well as utilize regional resources, to improve counselors' skills to provide effective and cost appropriate services and to promote better counselor decision-making.
In order to better assist counselors in performing their duties OVRs should:	2011		
<ul style="list-style-type: none"> <li>• Complete the drafting of its policy manual.</li> </ul>	2011	Fully Implemented/Resolved	The OVRs Policy Manual was updated and finalized effective 5/25/2011.
<ul style="list-style-type: none"> <li>• Develop better data monitoring to identify program-wide and individual case management issues, including better reporting on open cases.</li> </ul>	2011	Fully Implemented/Resolved	OVRs has implemented a new case management data monitoring system to identify individual case management issues and program-wide reporting on open cases. This system will strengthen monitoring consumer compliance to the mutually agreed benchmarks incorporated within the employment plans.
<ul style="list-style-type: none"> <li>• Conduct regular performance evaluations that incorporate case closure.</li> </ul>	2011	Partially Implemented In Progress	OVRs Central Office Administration has involved DHS Human Resources in implementing a monitoring system on a quarterly basis to track position descriptions, performance feedback, and employee development plans. Of the 204 field positions at the end of last quarter (through October 31, 2012), the HR report shows 187 current position descriptions, 170 with written performance feedback, and 178 with current employee development plans. VR has 5 new hires on trial service who have not reached six months of employment to warrant a written performance evaluation and 12 vacant positions; thus, a total of 187 active employees are being tracked for performance reviews during the third quarter of 2012. OVRs administration intends to have the remaining 17 performance evaluations completed by December 31, 2012.

<ul style="list-style-type: none"> <li>• Explore cost-effective training solutions such as those provided for free by vocational rehabilitation Technical Assistance and Continuing Education centers.</li> </ul>	2011	Fully Implemented/Resolved	<p>In February 2009, the program revised its new counselor training to more narrowly focus on case management and critical case questioning. In March 2009, this class was conducted regionally across the state and was attended by new counseling staff and counselors who would benefit from the refresher training. The program offered this training again in September and December 2010, and will continue to offer it on a regularly scheduled basis. The program will provide training on plan development including appropriately ensuring clear client expectations and appropriate follow-up on any prior problems when clients return. Training will be prioritized for new counselors and counselors in need of additional training. On a go-forward basis, OVRS will continue to provide training, as well as utilize regional resources, to improve counselors' skills to provide effective and cost appropriate services and to promote better counselor decision-making.</p>
<p><b>Human Services, Department of: Oregon Statewide Single Audit Report for FY Ended June 30, 2010</b></p>	2011		
<p>We recommend management ensure the required ADP risk analysis and system security reviews are conducted of the new Medicaid Management Information System</p>	2011	Partially Implemented In Progress	<p>The Information Security and Privacy Office (ISPO) completed an initial application vulnerability assessment for the Medicaid Management Information System (MMIS) web application during May 2011. As part of the MMIS web application Release Management process, ISPO performs an application vulnerability assessment. The last MMIS web application vulnerability assessment was completed during August 2011.</p> <p>ISPO completed an MMIS network vulnerability assessment during January 2011. ISPO is also scheduling an annual MMIS network vulnerability assessment.</p>
<p>We recommend department management strengthen controls over the eligibility process to ensure that eligibility redeterminations are performed timely and income determinations are accurate.</p>	2011	Partially Implemented In Progress	<p>Children, Adults and Families completed the recommendation by sending a reminder to the Federal Revenue Specialists (FRS) via email. The FRSs and their supervisors were reminded of the importance of completing redeterminations timely and ensure the CF190 is filed in the case file. This corrective action is considered partially completed because the new Child Welfare system, OR-Kids, was not implemented by July 1, 2011. The actual implementation date of the OR-Kids system is August 29, 2011. As of that date redeterminations will be kept in an electronic history of all eligibility determinations and the CF190 can be printed upon request.</p> <p>Seniors and People with Disabilities has provided training to AAA/SPD Field Managers to specifically address these eligibility redetermination issues. This training was completed in April 2011, and the department believes it will strengthen and enhance controls over the eligibility process.</p> <p>Children, Adults and Families (CAF) Self Sufficiency Programs (SSP) continued to strengthen controls over the eligibility process by simplifying eligibility. November 1, 2010, the department eliminated the two-month income average for OHP (including Standard) and Healthy KidsConnect (HKC) and implemented budget month income. The client reports what they have received during the budget month and what they anticipate the rest of the month. This new rule streamlines and simplifies the eligibility determination process for eligibility workers and clients. The rule changed from using two-month average to one-month.</p> <p>With the budgeting change there is ongoing training, Informational Transmittals, On Target Newsletter, and QC Reviews. This will help staff in placing the client in the correct medical program.</p> <p>October 2009, the department made a policy change to waive the six-month private major medical coverage to two-months. The department continues to educate staff on when the two-months can be waived. Office of Healthy Kids sent out a "cheat sheet" for staff explaining when the two-months period can be waived. Office of Healthy Kids is also working with the federal government to see if the State can eliminate the two-months wait period.</p> <p>The department is using more imaging technology. This allows workers instant access to documents and with the</p>



			<p>use of imaging, this will reduce the amount of paper documents that can potentially be misplaced or misfiled and increase the accuracy of the information used to determine eligibility.</p> <p>As of July 15, 2010, the department implemented policy requiring only one signature per household. Policy Transmittal was sent to eligibly workers and the Family Services Manual was updated.</p>
<p>We recommend department management identify and correct system coding for all services for which the system is not considering eligibility. Once all service and coding issues have been corrected, department management should identify and reimburse the federal agency the total amount of TANF funds spent on behalf of ineligible clients for these services starting in fiscal year 2009.</p>	2011	Partially Implemented In Progress	<p>Children, Adults and Families federal compliance, contracts, budget and OR-Kids business analyst staff completed detailed service definitions, which include appropriate budget and funding sources (federal or state general fund). This work was done with the knowledge of past audit findings and with particular attention to the appropriate use of federal funds. The OR-Kids system implementation date was August 29, 2011. It is the department's belief that payments will be funded accurately in the OR-Kids system. The federal compliance unit hopes to complete the analysis of prior payments and complete a manual adjustment by June 30, 2012.</p>
<p>We recommend department management ensure coding is correct when making manual coding adjustments. Department management should correct the coding errors identified.</p>	2011	Fully Implemented/Resolved	<p>All coding errors have been corrected. When the coding errors occurred the funding for the TANF block grant had already been drawn to the limit, therefore no overdraw of federal funds had occurred.</p> <p>Correcting journal entries were made to fix errors and to move funds from federal to other funds. Implementation of the new OR-Kids system will restrict the ability to make manual coding adjustments in the future.</p>
<p>We recommend department management ensure that complete and accurate client information is used to compile the quarterly data reports.</p>	2011	Partially Implemented In Progress	<p>On May 16th, 2011, the Child Welfare SFMA cross walk code file was updated to include 103 additional codes identifying child welfare cases paid with TANF funding that were previously left out of our reporting. As a result, the ACF-199 and ACF-209 for the 1st quarter (ending Dec. 2010) were re-transmitted on June 28, 2011 and included over 500 additional cases per month. We have continued to include cases using these additional codes for Child Welfare since that time.</p> <p>The department previously believed that this fix would correct the majority of the issues identified in the finding. However, additional testing shows this was not the case. We continue to miss cases in our Jobs Plus and PTF programs as well as some child welfare children. We will continue to identify the root causes of all the errors identified and complete coding changes to fix those errors.</p> <p>In addition, although our reports were correctly reflecting our policies related to disability and domestic violence cases being excluded from mandatory participation and thus excluded from the participation reports; we agree that in cases where these clients are voluntarily participating in work activities, we could be including those cases. We will work on coding changing to also begin bringing those cases into the reports. We anticipate coding changes to be complete and files re-transmitted by June 2012.</p>
<p>We recommend department management ensure that the clearance pattern used to draw down federal funds is updated to reflect any changes in the</p>	2011	Fully Implemented/Resolved	<p>The State FY 2009 CMA patterns were inadvertently used for the State FY 2010 federal draws. No interest is due to the Federal government for this issue as funds were drawn at a slower rate than the department was entitled to receive.</p> <p>The department verified the correct rates were being used for State FY 2011 draws. In addition, a "task" has been</p>

treasury-state agreement.			entered on staff's June 2011 calendar to verify any CMIA changes needed for the State FY 2012 draw spreadsheets.
We recommend department management update their contracting policy to address suspension and debarment for governmental entities and communicate this change to contract staff.	2011	Fully Implemented/Resolved	<p>The Office of Contracts and Procurement has a procedure on checking the Excluded Parties List System, however the policy indicated only non-governmental entities were required to be checked.</p> <p>The debarment policy addressed above was updated on February 14, 2011, to require all contracting entities be checked for debarment. This issue was discussed at the Office of Contracts and Procurement all staff meeting on February 15, 2011. The updated procedure was also distributed to all staff.</p>
We recommend the agency implement a process to review applications provided by participants for fraudulent or incorrect information. In addition, we recommend attendance logs be received more timely for review of services provided. We also recommend overpayment letters be sent immediately or as soon as reasonably possible to recover any improper payments.	2011	Fully Implemented/Resolved	<p>Eligibility staff are currently trained to pursue questionable information and utilize available resources including Oregon Birth Verification Records. The DHS Child Care Provider Listing form (DHS7494) also asks the provider if they are related to the children. The form states that DHS will not pay the provider if they are parent, step parent or legal guardian of the child. When processing the form, the Direct Pay Unit (DPU) reviews all open cases for the provider and client to see if all household members are included on the form. If DPU notices a birth father on the open case, they are prompted to further investigate.</p> <p>Effective October 1, 2010 DHS eliminated the temporary approval of providers while undergoing the background check and now requires the provider (and other subject individuals) to complete and pass the DHS Background Check before allowing payment or authorization for payment to the provider. Though the main reason for this change was to reduce potential risk to children, it may also help identify some fraudulent providers. If information is discovered in the background check that shows evidence that the child care provider is the parent of the child in care, it is reported to the DHS Direct Pay Unit and the provider will not receive payment.</p> <p>If the information is discovered after payment has been made, DHS pursues an overpayment on the provider. In the fraud case mentioned in the finding, a referral was made to Investigations, an overpayment was written and the client signed an Intentional Program Violation waiver admitting to the charges. On the other overpayment mentioned, DHS acknowledges that the overpayment letter was not written timely. However, the overpayment had been identified to be worked prior to the audit. This delay was partially due to reduced staffing in the Overpayment unit.</p> <p>Temporary Assistance for Needy Families (TANF) eligibility includes the requirement that a parent cooperate with the Division of Child Support (DCS) to establish paternity and locate and obtain child support payments for each needy child. DHS and DCS have jointly developed and delivered tools, cheat sheets and in-person training modules to staff that have resulted in increases to the paternity establishment percentage rate and the number of TANF cases which a child support collection is made. Since October 1, 2010 Employment Related Day Care (ERDC) eligibility is contingent upon receipt of TANF within the prior three months. With the recent emphasis by DHS and DCS on child support, the number of ERDC cases in which a child care payment may be made to help establish the validity of parent's claims. However, if a person refuses to identify the other parent or is untruthful about the paternity of the child, it is very difficult to prove and there is not sufficient resources available to pursue each case.</p> <p>DHS is moving to real time knowledge of utilization rather than the current world of waiting for provider submission of billing forms, which are then manually processed. This will be accomplished with the Child Care Billing and Attendance Tracking project. This project is currently in development with a planned initial implementation date of July 1, 2011.</p> <p>For field staff, DHS will provide ERDC Refresher classes and Netlinks with additional questions/scenarios as a reminder on who can be a provider, with this specific solution, including questions the worker can ask the client if</p>

			they find a potential provider situation questionable. An ERDC Skill Challenge and article in the "On Target" staff newsletter will be completed on who can be a provider and what to do when a situation might be questionable. DHS hopes by offering these that client and provider fraud will further be reduced.
We recommend the department remove conflicting access rights where it can. In those instances where the conflict remains, DHS should develop and implement a detective control to specifically address those instances.	2011	Partially Implemented In Progress	<p>In January 2011, the Seniors and People with Disabilities RACF administrator sent an email to the SPD Sub-Administrators asking them to review their existing reports and remove any unnecessary current access rights.</p> <p>In February 2011, Children, Adults and Families (CAF), District Business Experts began a manual compensating controls review process. These reviews are occurring in CAF Self Sufficiency Program (SSP) Field offices monthly.</p> <p>The Resource Access Control Facility (RACF) report is distributed monthly to the CAF Field Business Experts and Self-Sufficiency Office Managers, as well as, the SPD Field Offices. The RACF report identifies employees within a branch office and their respective computer access rights. In addition, a two-page cheat-sheet has been developed and distributed to Business Experts and SSP Office managers to assist in reading the report and accurately identifying those employees with conflicting access.</p> <p>In addition, an ad-hoc monitoring report has been created. This report is currently in draft and under review for accuracy, but is anticipated to be finalized by the end of September 2011. When completed, the report will be used to identify potential SSP and SPD employees who performed conflicting access functions and will replace the current manual compensating controls process.</p> <p>It should be noted that a statewide hiring freeze remains in effect. CAF received permission to fill some previously vacant positions, however, this will only bring CAF staffing up to 70 percent of the need. Based on continued reduced staffing and limited resources, it is anticipated the need for staff to have conflicting access will continue.</p>
We recommend that the department management work with the designated federal agency to determine the appropriate way to resolve any overpayments, or to stop using federal funds for future payments in the 52 cases without a revised adoption agreement and to repay amounts previously overpaid.	2011	Fully Implemented/Resolved	<p>Of the 52 cases cited in the finding, an additional seven families have now signed and returned their revised agreements, leaving 45 cases without a revised adoption agreement that matches past or present payment. Of these final 45 cases, 26 are closed and the families are no longer receiving payments while 19 families continue to receive a monthly subsidy.</p> <p>The department will continue to actively pursue retroactively effective adoption agreements on the remaining 45 families to bring them into compliance with federal rule.</p> <p>The department will also work with the Administration for Children and Families, Region X office to determine the amount of any overpayment of federal money and the appropriate method for repayment.</p>
<b>Human Services, Department of (and other agencies): Agencies Should Explore Opportunities to Earn Purchase Card Rebates</b>	2010		
We recommend the four agencies that missed the rebate periodically explore the available strategies and analyze the associated costs and benefits of obtaining the annual volume and performance purchase card rebates offered through US Bank.	2010	Fully Implemented/Resolved	

We also recommend these four agencies consider the following specific strategies:	2010		
-DHS selectively expand its existing pilot efforts to units and/or programs where it would be cost-effective to do so and consider exploring options for electronic payment and interim rebate reports.	2010	Fully Implemented/Resolved	
<b>Department of Human Services: Oregon Health Plan: Timely Eligibility Determinations Conducted on Clients</b>	2010		
We recommend after the department completes urgent and complex projects such as the client transfer, it also consider a final review to identify any errors.	2010	Fully Implemented/Resolved	
<b>Human Services, Department of (and other agencies): State Cell Phone Plans: Closer Attention to Usage Could Create Savings</b>	2010		
We recommend DHS:	2010		
<ul style="list-style-type: none"> <li>• obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses with other agencies as opportunities arise;</li> </ul>	2010	Partially Implemented In Progress	
<ul style="list-style-type: none"> <li>• regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted;</li> </ul>	2010	Partially Implemented In Progress	
<ul style="list-style-type: none"> <li>• update cell phone inventories now and immediately turn off all phones unaccounted for; and</li> </ul>	2010	Fully Implemented/Resolved	
<ul style="list-style-type: none"> <li>• update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.</li> </ul>	2010	Partially Implemented In Progress	

<b>Human Services, Department of: Integrated Information System Application Controls Review</b>	2009		
Design and/or implement controls to independently validate Adoption Assistance payment parameters after they are manually entered into the system.	2009	Fully Implemented/ Resolved	
Ensure monthly reconciliations of system payments are timely and effectively performed.	2009	Fully Implemented/ Resolved	
Properly record the issuance and payment of replacement checks.	2009	Fully Implemented/ Resolved	
Separate duties for establishing Adoption Assistance clients in the system and setting up their associated automatic payments.	2009	Fully Implemented/ Resolved	
Ensure adjusting entries to correct system transactions are fully documented to better facilitate their review and approval.	2009	Fully Implemented/ Resolved	
Assign responsibility for developing, implementing, and testing complete system backup and restoration strategies. Items needing specific and immediate attention include ensuring all critical files are backed up and stored off-site, specific roles and responsibilities are defined and assigned, and backup and restoration efforts are formally coordinated with the State Data Center via a written service level agreement.	2009	Partially Implemented No Further Action to be Taken	
Develop more robust program change management policies and procedures to ensure authorized code is safeguarded and all necessary quality assurance steps are performed and documented prior to elevating the code to production.	2009	Partially Implemented No Further Action to be Taken	

Implement the recommendations included in our confidential report.	2009	Partially Implemented No Further Action to be Taken	
<b>Human Services, Department of: Interpretive Services Audit</b>	2009		
Develop and implement policies and procedures to ensure that invoices and supporting documentation are adequately reviewed prior to payment approval or within a reasonable period of time if prior approval is not feasible.	2009	Fully Implemented/ Resolved	
Research all identified payments with inadequate support and initiate measures to collect or withhold from future vendor payments any inappropriate charges.	2009	Partially Implemented No Further Action to be Taken	
Work with the vendor that omitted connection times to determine any discounts owed the department.	2009	Fully Implemented/ Resolved	
Initiate procedures to ensure staff responsible for coding payment transactions do so accurately and use codes that best describe the services provided.	2009	Fully Implemented/ Resolved	
Review and clarify contracting requirements with staff, and monitor compliance with those requirements.	2009	Fully Implemented/ Resolved	
Review all payments made to the identified employees who were paid as vendors, and collect any inappropriate payments.	2009	Fully Implemented/ Resolved	
Develop and implement procedures to identify employees who are also paid as vendors, and review those arrangements and associated payments for appropriateness.	2009	Fully Implemented/ Resolved	

<b>Human Services, Department of: Oregon State Hospital Replacement: Good Construction Management Practices Help Protect State Investment</b>	2009		
We recommend the department take the following action to further enhance its equipment rental practices: establish agreed-upon purchase prices for equipment rented directly from the general contractor and track total equipment rental charges to ensure agreed-upon purchase prices are not exceeded.	2009	Fully Implemented/ Resolved	

## Judicial

<b>Judicial Department, Oregon : Ordering Restitution for Victims</b>	2010		
<p>We recommend district attorneys consider setting restitution rate expectations for various criminal behaviors and monitoring their rates from year to year.</p> <p>(5 District Attorneys responded)</p>	2010	<p>Partially Implemented In Progress (1)</p> <p>Not Yet Started (1)</p> <p>Decline to Implement (3)</p>	
<p>We also recommend district attorneys consider evaluating their restitution practices to determine whether improvements could better ensure that victims' economic losses are properly investigated and presented in court. Possible improvements include documenting policies and procedures and implementing methods to ensure policies and procedures are followed and periodically evaluated.</p> <p>(5 District Attorneys responded)</p>	2010	<p>Fully Implemented/ Resolved (1)</p> <p>Partially Implemented In Progress (2)</p> <p>Decline to Implement (2)</p>	



## Justice

<b>Justice, Department of: Management Practices That Could Increase Child Support Collections</b>	2010		
In order to improve child support collections, we recommend the management of Oregon's Child Support Program:	2010		
1. Develop ambitious performance goals based on the federal performance measures for use throughout the program.	2010	Fully Implemented/ Resolved	
2. Supplement tracking and reporting of federal performance measures at the office and case manager levels to identify areas for possible improvement. A possible step would be exploring additional opportunities for case managers to access customized performance reports.	2010	Fully Implemented/ Resolved	
3. Monitor collection performance results at all levels and apply constructive actions that can boost collection efforts.	2010	Fully Implemented/ Resolved	
4. Consider adopting other strategies top collecting states use.		Fully Implemented/ Resolved	

## State Lands

<b>Lands, Department of State: Oregon Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend the department continue to estimate the amount of unclaimed property expected to be claimed and revisit and update the methodology as needed	2011	Fully Implemented/Resolved	The Department of State Lands developed an initial methodology to arrive at the adjusting entry made as a result of the audit. The Department conducted further analysis to refine the methodology and make future adjusting entries of an annual basis as part of the year end closing process.
<b>State Lands, Department of (and Dept. of Forestry): Review of Common School Fund Forest Land Management Costs</b>	2009		
We recommend the Department of Forestry work with the Department of State Lands to clearly define and implement a current basis for allocating administrative costs to the Common School Fund.	2009	Fully Implemented/Resolved	
We recommend the Department of Forestry and Department of State Lands jointly develop a plan to identify and recover any significant overcharges and undercharges made to the Common School Fund.	2009	Fully Implemented/Resolved	
We recommend the Department of Forestry either bill actual costs periodically, such as monthly, or work with State Lands to modify the agreement.	2009	Fully Implemented/Resolved	
We recommend the Department of State Lands use the Interagency Dispute Resolution Process for any disputed billings.	2009	Fully Implemented/Resolved	
We also recommend the Department of Forestry and Department of State Lands jointly agree on an invoice presentation that clarifies charges.	2009	Fully Implemented/Resolved	

## Marine Board

<b>Marine Board, Oregon State : New Director Should Establish Better Accountability and Stewardship at the Oregon State Marine Board</b>	2011		
We recommend the Board take the following actions:	2011		
<ul style="list-style-type: none"> <li>Establish effective management controls and build a culture of integrity from leadership down through every level of the organization.</li> </ul>	2011	Fully Implemented/Resolved	Training was provided to Board members and agency managers. This training included the director's responsibilities and accountability to the Board, a variety of statutes and rules, and ethics. Procurement training was provided for all OSMB staff responsible for procurement. All staff are now required to sign acknowledgement of OSMB policies and DAS statewide policies or policies adopted by reference. All policies are posted on the internal shared drive. Two SPOTS card policy infractions occurred since the new director arrived. The cardholders were counseled and received written documentation acknowledging the infraction. A new process to procure and dispose of patrol boats was approved through the AG's Office and DAS. All contracts are sent through the agency Grants and Contracts Coordinator prior to approval by the director.
<ul style="list-style-type: none"> <li>Build a system of accountability that ensures all Board members and employees understand the expectations for good stewardship of public resources.</li> </ul>	2011	Fully Implemented/Resolved	Training was provided to Board members and agency managers. This training included the director's responsibilities and accountability to the Board, a variety of statutes and rules, and ethics. Procurement training was provided for all OSMB staff responsible for procurement. Expenditure signing authority is formally delegated by a letter to managers with signing authority. Accounting staff check for valid signing authority on all transactions and the Control Accountant and Business Services manager review transactions for appropriateness and adherence to state law and DAS/OSMB policies and procedures.
<ul style="list-style-type: none"> <li>Develop comprehensive internal policies and procedures for Board employees to use as guidance in properly carrying out the operations of the agency in accordance with state requirements. Areas of particular concern include developing and enforcing procedures to ensure:</li> </ul>	2011		
-compliance with state contracting rules and laws;	2011	Fully Implemented/Resolved	Procurement training was provided to all OSMB staff responsible for procurement. Annual SPOTS card training is held for cardholders and managers. All contracts are sent through the agency Grants and Contracts Coordinator prior to approval by the director.
-appropriate accounting for assets, including assets returned from counties;	2011	Fully Implemented/Resolved	OSMB realigned duties of a position to include responsibility for patrol boat purchases, maintenance, inventory, audit, and disposal. An annual inventory is performed of all agency personal property. Provisions in county law enforcement contracts clearly delineate duties of counties and duties for OSMB in relation to purchase, maintenance, and disposition of boat assets purchased with state funds.

-consistent separation of access to check stock from the responsibilities for reconciliation, documentation of all checks written, and proper review of checks and supporting documentation;	2011	Fully Implemented/Resolved	Responsibilities in the Business Services Section have shifted to ensure the consistent separation of check stock from the responsibilities of reconciliation. The Business Services Manager reviews the checks and the check register before checks are mailed to recipients.
-adequate documentation and approval of SPOTS card purchases, adequate separation of SPOTS card oversight responsibilities, and verification that purchases are only made by authorized card holders;	2011	Fully Implemented/Resolved	Annual training for SPOTS cardholders and managers is ongoing. The Control Accountant reviews all SPOTS card transactions for proper managerial approvals and adherence to statewide SPOTS standards. Cards were cancelled in the case where the card holder was also an approving manager. Disciplinary action was imposed in the cases of two SPOTS card policy infractions.
-monitoring of the travel card program; and	2011	Partially Implemented In Progress	Staff with travel cards reviewed OSMB/DAS policies and procedures. The Travel Card Coordinator will review monthly card management reports available on-line through US Bank. Annual travel card training will be provided in conjunction with SPOTS card training.
-submittal and retention of adequate travel documentation, and correct calculation of travel reimbursements as prescribed in state policy.	2011	Fully Implemented/Resolved	Overpayments discovered in the audit were investigated and resolved. Since the audit, there have been no overpayment issues. The Control Accountant and Business Services Manager review all travel claims for appropriate documentation and approvals before paying. Third-party travel reimbursement situations are monitored closely to prevent duplicate payments.
• Review travel reimbursements noted in this report and seek recovery of overpayments as appropriate.	2011	Fully Implemented/Resolved	The Control Accountant and Business Services Manager review all travel claims for appropriate documentation and approvals before paying. As of yet, there have been no overpayment issues. Third-party travel reimbursement situations are monitored closely to prevent duplicate payments.
We recommend the Board work with DAS to resolve:	2011		
• the taxable meal reimbursements that were incorrectly recorded as non-taxable; and	2011	Fully Implemented/Resolved	Since the audit, all events of a taxable nature have been handled according to DAS policies. Staff is aware of the need to timely file travel claims such that they remain within the rules of an accountable travel plan and thus not become taxable events.
• the former director's incorrect payroll coding	2011	Fully Implemented/Resolved	The human resources designation was changed from temporary employment to limited duration employment. Pay and benefits were corrected.
We recommend the Board ensure compliance with state policy when retaining executive leadership during future director transitions.	2011	Fully Implemented/Resolved	DAS policies on Director Replacement are known to agency executive leadership.

## Military

<b>Military, Oregon Department: Oregon Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend department management implement procedures to verify and document entities are not suspended or debarred from participation in federal assistance programs.	2011	Fully Implemented/Resolved	To remedy, OMD implemented the following control: For all MILCON contract procurements, the OMD procurement staff verifies suspension and debarment status of potential contractors by checking the Excluded Parties List System (EPLS) and collecting a certification before awarding any contract.

## Parks and Recreation

<b>Parks and Recreation, Oregon Department of (and other agencies): Agencies Should Explore Opportunities to Earn Purchase Card Rebates</b>	2010		
We recommend the four agencies that missed the rebate periodically explore the available strategies and analyze the associated costs and benefits of obtaining the annual volume and performance purchase card rebates offered.	2010	Fully Implemented/ Resolved	
We also recommend these four agencies consider the following specific strategies:	2010		
-OPRD consider adjusting its billing cycle period, developing electronic tools to automate cost allocation, increasing payment frequency for select units, and exploring options for electronic payment and interim rebate reports.	2010	Fully Implemented/ Resolved	
<b>Parks and Recreation Department, Oregon: Follow-Up Report on Capital and Non-Capital Assets</b>	2009		
Perform an annual physical inventory of all capital assets and correct the capital asset listing and accounting records, as appropriate, based on the inventory results.	2009	Fully Implemented/ Resolved	
Record an estimate of historical costs for paved walking paths and campsites in the capital asset subsidiary ledger and accounting records.	2009	Partially Implemented In Progress	
Perform a complete inventory of land assets and make corrections based on inventory results. In addition, ensure that all donated land is recorded at estimated fair market value.	2009	Partially Implemented In Progress	

Complete the evaluation of buildings classified as "potential" historical treasures and correct the capital asset subsidiary ledger, as appropriate, to ensure assets are properly classified.	2009	Fully Implemented/ Resolved	
Review methodologies for estimating the historical cost of road pavement, document decisions made, and make accounting adjustments accordingly.	2009	Partially Implemented/ In Progress	
Review the buildings and machinery and equipment subsidiary ledgers for fully depreciated assets still in use. Apply the revised useful lives of those assets per the department's policy and make corrections to the ledgers, accordingly. In addition, make necessary adjustments to depreciation expense.	2009	Fully Implemented/ Resolved	
Document quarterly reconciliations of the subsidiary property ledger to accounting records, and ensure management reviews the reconciliations for accuracy and completeness.	2009	Fully Implemented/ Resolved	
Ensure that only assets meeting the capitalization criteria are capitalized. Investigate discrepancies in the capital asset subsidiary ledgers and remove assets not meeting those criteria.	2009	Fully Implemented/ Resolved	
Strengthen controls over non-capital assets to ensure that high-risk items are controlled and accounted for.	2009	Fully Implemented/ Resolved	
<b>Parks and Recreation, Oregon Department of: Loss of Funds Investigation and Internal Controls Review at the Oregon State Fair and Exposition Center</b>	2009		
Continue efforts to separate responsibilities for preparing billings, collecting payments, and recording transactions in the subsidiary accounting records.	2009	Fully Implemented/Resolved	

Limit access to critical computer files to those with a valid business reason.	2009	Fully Implemented/Resolved	
Ensure that staff consistently secure cash receipts prior to bank deposit.	2009	Fully Implemented/Resolved	
Centralize cash receipting to minimize the number of employees handling cash.	2009	Fully Implemented/Resolved	
Ensure receipts are consistently provided to clients, and reconcile controlled items such as receipts and check stock.	2009	Fully Implemented/Resolved	
Perform consistent and timely reconciliations of cash accounts.	2009	Fully Implemented/Resolved	
Segregate access to checks and the authority to sign checks.	2009	Fully Implemented/Resolved	
Monitor the billing process to ensure invoices are distributed within an established time after the scheduled event and all accounts receivable are recorded in a manner to permit an aging analysis.	2009	Fully Implemented/Resolved	
Review invoices for appropriateness and mathematical accuracy and reconcile them to ensure all invoices are accounted for.	2009	Fully Implemented/Resolved	
Establish policies and procedures for assessing interest on delinquent accounts.	2009	Fully Implemented/Resolved	
Monitor facility rental deposit and interest assessment practices to ensure that established policies are followed consistently.	2009	Fully Implemented/Resolved	
Develop policies and procedures governing OSFEC's debt collection activities and ensure debt collection	2009	Fully Implemented/Resolved	



activities are consistent with state policy.			
Implement procedures to ensure staff follow state contracting rules.	2009	Fully Implemented/Resolved	
Ensure contract files are complete. Consider creating a checklist of required items for staff use.	2009	Fully Implemented/Resolved	
Establish a standard training curriculum for all staff assigned contracting responsibilities. The training should include contract solicitation and selection requirements designed to promote a competitive procurement process.	2009	Fully Implemented/Resolved	
Provide a uniform means of tracking all contract payments to ensure they are consistent with contract terms and do not exceed the contract value.	2009	Fully Implemented/Resolved	
Implement a process to ensure OSFEC staff have no conflict of interest, including being independent from bidding clients and their staff.	2009	Fully Implemented/Resolved	
Pursue recovery from the contract of the \$84,362 in contract overpayments.	2009	Partially Implemented No Further Action to be Taken	
Develop and implement internal controls to ensure employee purchases and travel serve the business needs of the agency, are properly authorized, and adhere to state policy.	2009	Fully Implemented/Resolved	
Provide appropriate review and approval of timesheets, including ensuring that they contain the information necessary to ensure hours worked are complete and accurate.	2009	Fully Implemented/Resolved	
Provide adequate segregation of payroll responsibilities.	2009	Fully Implemented/Resolved	

<b>Parks and Recreation, Oregon Department of (and other agencies): Measure 66 Funding: Financial Integrity, Effectiveness and Performance for the 2005-2007 Biennium</b>	2009		
We recommend the department (OPRD) take the following actions:	2009		
-develop, document and follow a consistent process for accurately reporting progress toward reducing the parks maintenance backlog; and	2009	Fully Implemented/Resolved	
-improve key performance measure disclosure to present a full picture of progress achieved.	2009	Partially Implemented No Further Action to be Taken	

## Revenue

<b>Revenue, Department of: Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend department management ensure accounting staff have the requisite knowledge and skills to perform their assigned duties and ensure accounting transactions are accurately recorded to the proper accounts.	2011	Fully Implemented / Resolved	<p>The department recognized the need for highly trained and technically competent accounting staff at all levels. DOR provided in-depth training for all accounting staff in R*Stars, the agency's subsidiary accounting system, Excel and data query tools. DOR also recognized the need to ensure staff can and do have the knowledge and ability to support each other when needed and adopted this model as part of the training and development plan.</p> <p>DOR developed a Skills and Knowledge Assessment tool for each individual in the Finance Section. Assessments were done by the individual and their manager. From there Training Plans were developed. Training is ongoing and should provide a wide base of knowledge to ensure staff has the knowledge required to do their jobs and to back up others.</p> <p>DOR also experienced fifty percent turnover in the accounting staff in the last six months. While this created a training burden it also created opportunities to improve their processes and procedures.</p> <p>To strengthen the accounting unit DOR brought in additional experienced accounting assistance. This person has had a positive impact on the unit, assisting with R*Stars training, data entry review and improving procedures.</p>
<b>Revenue, Department of: Strategies for Increasing Personal Income Tax Compliance and Revenue Collections</b>	2010		
To better identify non-filers and increase compliance, we recommend DOR: Develop and implement a comprehensive and timely approach to identify non-filers every tax period.	2010	Fully Implemented/Resolved	
To increase the effectiveness and efficiency of collections, we recommend DOR apply performance management strategies, including:	2010		
<ul style="list-style-type: none"> <li>Establish and track timeliness and results goals for DOR personnel to better achieve prompt contacts and successful collection of each liability.</li> </ul>	2010	Fully Implemented/Resolved	
<ul style="list-style-type: none"> <li>Periodically analyze information on agency strategies, efforts and results to enhance collections results.</li> </ul>	2010	Partially Implemented In Progress	
Transfer liabilities to PCFs based upon case characteristics to obtain the most	2010	Partially Implemented In Progress	

DOR revenues.			
• Pursue skiptracing alternatives and integrate the use of advanced research tools into the DOR collection process.	2010	Fully Implemented/Resolved	
• Automate the processes of assigning accounts to PCFs, reconciling payments and providing account balance updates.	2010	Fully Implemented/Resolved	
• Explore ways to increase sharing information with PCFs to enhance collections.	2010	Partially Implemented In Progress	
• Prudently plan, acquire and implement a comprehensive information technology system that will support automating processes, prioritizing work and managing performance.	2010	Fully Implemented/Resolved	
In order to accelerate tax compliance efforts and address the backlog of non-filers, we recommend DOR:	2010		
• Develop and implement strategies to bring non-filers quickly into compliance for future tax years.	2010	Fully Implemented/Resolved	
• Develop and implement a plan to quickly increase collections, which could include more outsourcing efforts, until the backlog is reduced.	2010	Fully Implemented/Resolved	

## Police

<b>State Police, Oregon (and other agencies): Measure 66 Funding: Fiscal Accountability for the 2007-2009 Biennium</b>	2011		
<p>We recommend that OSP, DEQ, ODFW and ODA work with OWEB and the Department of Administrative Services (DAS) to ensure that interest earned on Measure 66 allocated funds is credited to accounts dedicated to Measure 66 activities.</p>	2011	Fully Implemented/Resolved	<p>The agencies met on 6/17/10 to discuss the recommendation. Following the November 2010 passage of Measure 76, which supplanted Measure 66, OWEB worked with DAS and the Treasurer's office to ensure structures were in place to ensure that Measure 76 Lottery Fund interest earned in the agencies' budgets was credited to the appropriate Measure 76 funds.</p>
<p>We further recommend these agencies work with OWEB and DAS to estimate the cumulative interest earnings lost over prior biennia and explore potential actions to obtain reimbursement.</p>	2011	Decline to Implement	<p>Agencies discussed the feasibility of estimating the interest earnings prior to 2007-09. The agencies discussed the difficulty of determining a methodology that would accurately calculate the interest for the previous biennia. For example, comprehensive and accurate data did not exist as some agency records for those past years were no longer available. Interest earnings were very low (.50%-.55%) in 2010 and 2011, and OWEB recently estimated interest earned at the agencies for the February and May 2011 distributions to be approximately \$3,000 for Measure 66. This is a negligible sum, which suggests that it likely would not have been cost effective to expend the resources to try to obtain reimbursement for 2010 and 2011.</p>

## Transportation

<b>Transportation, Oregon Department of: Driver and Motor Vehicle Services Division: Drivers System Data was Secure but Controls Could be Improved</b>	2010		
We recommend department management implement comprehensive change management controls that protect source code and track its movements throughout the system. This may be accomplished by modifying existing systems and processes or procuring a commercially available solution.	2010	Partially Implemented No Further Action to be Taken	
We recommend that department management assign responsibility to ensure that disaster recovery strategies include detailed procedures for recovering the system, and that recovery capabilities are tested.	2010	Partially Implemented In Progress	
We recommend that the department better define its security requirements with the State Data Center and establish a mechanism for ensuring those expectations are fulfilled.	2010	Decline to Implement	
<b>Transportation, Oregon Department of (and other agencies): State Cell Phone Plans: Closer Attention to Usage Could Create Savings</b>	2010		
We recommend ODOT:	2010		
• obtain from vendors cell phone billing and usage reports that identify cost saving opportunities and share those formats and analyses with other agencies as opportunities arise;	2010	Fully Implemented/ Resolved	

• regularly review cell phone bills and vendor reports to identify zero use phones and usage patterns that indicate a line should be terminated or a plan should be adjusted;	2010	Fully Implemented/ Resolved	
• update cell phone inventories now and immediately turn off all phones unaccounted for; and	2010	Fully Implemented/ Resolved	
• update inventories periodically in the future, including accounting for phone returns and line terminations for separating employees.	2010	Fully Implemented/ Resolved	
<b>Transportation, Oregon Department of: Oregon Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011		
We recommend department management ensure that accounting transactions are posted to the correct reporting period and prior period adjustment entries are made when appropriate.	2011	Fully Implemented/Resolved	ODOT management initiated corrective action by having a second person review the SFMA entry for correctness. In addition, ODOT developed a checklist to be used by the preparer, the reviewer and the approver to ensure that the information represented by the entry is being posted to the correct reporting period.
Further, we recommend department management provide effective review of year-end balances to ensure balances are reasonable and material reporting errors are identified.	2011	Fully Implemented/Resolved	ODOT management initiated corrective action by having a second person review the SFMA entry for correctness. In addition, ODOT developed a checklist to be used by the preparer, the reviewer and the approver to ensure that the information represented by the entry is being posted to the correct reporting period.
We recommend department management thoroughly review the information produced by Pentaho and the GASB 34 Tool to identify and resolve inconsistencies in project status.	2011	Fully Implemented/Resolved	ODOT reviewed the criteria used in the selection of the reporting information between Pentaho and the GASB 34 Tool. The use of the information from the Project Control System (PCS) will not be the primary source of information used to evaluate the completion of projects. The Department will move to using the Contract Payment System (CPS) and TEAMS as the primary source of information in determining the completion status of infrastructure projects for GASB 34 reporting.
We recommend department management identify the data available from its internal systems that are relevant to infrastructure reporting and identify which systems have the best and most accurate data for reporting purposes.	2011	Fully Implemented/Resolved	The use of the information from the Project Control System (PCS) will not be the primary source of information used to evaluate the completion of projects. The Department moved to using the Contract Payment System (CPS) and TEAMS as the primary source of information in determining the completion status of infrastructure projects for GASB 34 reporting. The Department did not eliminate the use of the Project Control System (PCS) in the review of information in the review of information related to GASB 34 reporting; however, it is not the primary source as has been used in the past.

<p>Additionally, we recommend that when significant differences between multiple data sources are identified, department management investigate the differences and ensure department data is updated timely to provide correct, accurate, and relevant data for infrastructure reporting purposes.</p>	<p>2011</p>	<p>Fully Implemented/Resolved</p>	<p>The use of the information from the Project Control System (PCS) will not be the primary source of information used to evaluate the completion of projects. The Department moved to using the Contract Payment System (CPS) and TEAMS as the primary source of information in determining the completion status of infrastructure projects for GASB 34 reporting. The Department did not eliminate the use of the Project Control System (PCS) in the review of information in the review of information related to GASB 34 reporting; however, it is not the primary source as has been used in the past.</p>
<p>We recommend department management ensure adequate controls are implemented to prevent and detect errors in financial reporting.</p>	<p>2011</p>	<p>Fully Implemented/Resolved</p>	<p>ODOT management and staff reviewed the internal processes related to the discrepancies identified. Discrepancies found with spreadsheets and tools were reviewed by management and were corrected. Management reviewed the internal process for the documentation, review, release and entry into SFMA. Management prepared checklists associated with the entries being conducted to ensure an adequate review is conducted prior to processing.</p>



## Treasury

<b>Treasury, Oregon State: Statewide Single Audit Report for FY Ended June 30, 2010</b>	2011	Fully Implemented / Resolved (2)	
<p>We recommend Treasury management strengthen internal controls over its financial reporting process to ensure that Treasury provides state agencies investment balances and disclosures that are fairly stated in accordance with generally accepted accounting principles.</p>	2011	Partially Implemented In Progress	<p>The Oregon State Treasury (OST) has initiated a project to redesign our financial reporting processes to standardize and automate the work we perform to ensure that investment balances and financial disclosures are fairly presented to state agencies in conformity with generally accepted accounting principles. This redesign will also include the development of a formal process for the implementation of new Government Accounting Standards Board (GASB) standards.</p> <p>We expect to make significant progress toward our project goals during calendar year 2011, with the ultimate goal of fully implementing our new financial reporting process for fiscal year end 2012 reporting. Consequently, our expected resolution date for this finding is June 30, 2012.</p>
<p>We also recommend that management improve the efficiency and effectiveness of its financial reporting process over information received from the custodian bank.</p>	2011	Partially Implemented In Progress	<p>The Oregon State Treasury (OST) has initiated a project to redesign our financial reporting processes to standardize and automate the work we perform to ensure that investment balances and financial disclosures are fairly presented to state agencies in conformity with generally accepted accounting principles. This redesign will also include the development of a formal process for the implementation of new Government Accounting Standards Board (GASB) standards.</p> <p>We expect to make significant progress toward our project goals during calendar year 2011, with the ultimate goal of fully implementing our new financial reporting process for fiscal year end 2012 reporting. Consequently, our expected resolution date for this finding is June 30, 2012.</p>

## University System

<b>University System, Oregon: Improve Management of Faculty Workload</b>	2011		
In order for universities to achieve their mission and objectives with the minimum necessary cost and to better meet the needs of an increasing student population, the Oregon University System Chancellor should:	2011		
<ul style="list-style-type: none"> <li>• Ensure universities regularly review faculty workload and take action where efficiencies can be achieved without adverse impacts on instruction.</li> </ul>	2011	Partially Implemented No Further Action to be Taken	OUS requested each that Provost examine its processes. Through the Provosts' Council, workload was reviewed to ensure that each institution's mission, Collective Bargaining Agreement and post-tenure review policy, etc. were efficient.
<ul style="list-style-type: none"> <li>• Incorporate efficiency measures into its strategic plan.</li> </ul>	2011	Fully Implemented/Resolved	Achievement compacts have been approved by the Board of Higher Education and the OEIB. Data has been collected from Universities as to efficiencies put in place.
<ul style="list-style-type: none"> <li>• Develop OUS guidance on instructional and other workload expectations.</li> </ul>	2011	Fully Implemented/Resolved	OUS requested each that Provost examine its processes. Through the Provosts' Council, workload was reviewed to ensure that each institution's mission, Collective Bargaining Agreement and post-tenure review policy, etc. were efficient.
<ul style="list-style-type: none"> <li>• Ensure universities set clear and specific instructional expectations for each department.</li> </ul>	2011	Fully Implemented/Resolved	OUS requested each that Provost examine its processes. Through the Provosts' Council, workload was reviewed to ensure that each institution's mission, Collective Bargaining Agreement and post-tenure review policy, etc. were efficient.
<ul style="list-style-type: none"> <li>• Routinely gather and analyze information on all areas of faculty workload activities in all universities and departments. Develop periodic reports at all levels of university administration on instructional practices and workload, identifying areas where possible efficiencies can be achieved.</li> </ul>	2011	Decline to Implement	The Vice Chancellor for Academic Strategies provided campuses with guiding principles to use should they want to reward faculty for satisfactory performance or to serve as a signal for improvement. The topic of faculty compensation was discussed at the September 2011 Provosts Council meeting.
<ul style="list-style-type: none"> <li>• Incorporate these workload expectations into university performance evaluations.</li> </ul>		Fully Implemented/Resolved	As a result of the faculty contract and collective bargaining agreements, workload is reviewed regularly per the extensive and intensive processes of faculty performance evaluations.

<ul style="list-style-type: none"> <li>• Ensure universities provide any needed guidance and assistance to department heads so they can apply and follow through on workload expectations.</li> </ul>		<p>Partially Implemented No Further Action to be Taken</p>	<p>The Vice Chancellor for Academic Strategies collected materials from the Provosts on what campuses were doing to ensure universities provide any needed guidance and assistance to department heads. In response to the feedback, the System Office hosted a Department Chairs Workshop in July of 2012. Approximately 80 chairs attended from all seven campuses. In addition, several campuses have hosted internal workshops for their department chairs.</p>
<ul style="list-style-type: none"> <li>• Adjust course offerings within and among the universities by consistently tracking unmet instructional needs, and continue monitoring low enrollment to identify under-enrolled or unnecessary courses that could be eliminated.</li> </ul>		<p>Fully Implemented/Resolved</p>	<p>Universities have policies to this effect and they were asked to review them. (According to Patricia, each department does a detailed analysis of their majors.)</p>

## Watershed Enhancement Board

<b>Watershed Enhancement Board, Oregon: Baker Valley Soil and Water Conservation District: Opportunities Exist for Improved Project Management</b>	2010		
We recommend District management comply with applicable requirements of the public contracting laws on future projects and ensure formal contracts are executed to protect the District's interests and public funds.	2010	Partially Implemented In Progress	
We recommend the Board and District management ensure future conflicts of interest are appropriately disclosed in compliance with Oregon laws.	2010	Fully Implemented/ Resolved	
We also recommend the District management develop policies and procedures for disclosure and treatment of conflicts of interest.	2010	Partially Implemented In Progress	
<b>Watershed Enhancement Board, Oregon: Continuing Sound Partnerships and Strategies for Restoration and Protection</b>	2011		
As OWEB moves forward and builds on its successful efforts, we recommend it apply the following strategies:	2011		OWEB continues to offer Technical Assistance grants twice a year through a competitive application process. Type 2 TA applications include requests for funding to develop action plans or projects that are designed to address locally acknowledged watershed limiting factors or watershed restoration priorities. Following the anticipated OWEB Board adoption of its Long Term Investment Strategy in June of 2013, OWEB will develop an implementation plan that includes a review of the regular grant program and the potential for process and policy changes. Timing of the review will depend on OWEB resources and other priorities arising from the Long Term Investment Strategy. OWEB has undertaken a programmatic review of its watershed council support grant program, which helps support watershed council organizational capacity to implement watershed restoration projects. Proposed policy changes, which were discussed in stakeholder listening sessions, include the requirement that councils have a previously adopted action plan in order to be eligible to apply for council support grants. OWEB will continue working on this policy before adopting revised council support grant program rules in 2014.
• develop guidance for, and continue to support, the establishment of watershed action plans that address local protection and restoration objectives;	2011	Partially Implemented In Progress	OWEB has made progress both through the drafting of the OWEB Board's Long Term Investment Strategy and through the agency's grant offerings. An overarching structural component to the Board's draft strategy includes the establishment of themes for investment areas. One such is named 'focused investment', which is where the Board would establish restoration priorities that would be selected and described in relationship to other restoration programs and efforts. These will also have clearly defined goals that through the Board's financial grant support, could be attained with more certainty and ideally more rapidly. The draft strategy also contains a

			basic tenet that is built upon the importance of increasing the Board's role in establishing priorities and better aligning funding resources with long-term goals. Within the last year, the agency has taken specific actions to increase its investment in program areas that align with statewide priorities of significance. This biennium, the Board continued to invest in its partnership program areas. These include Special Investment Partnerships in the Deschutes, Willamette and Klamath watersheds, as well as a partnership with multiple state and federal agencies to invest jointly in aquatic restoration priorities targeted in watersheds. These are built upon targeted restoration priorities and with goals approved by the Board.
• develop statewide restoration priorities that establish clear, technically defensible, and practicable recovery and restoration objectives on which to base future funding decisions; and,	2011	Partially Implemented In Progress	OWEB has been working on two fronts to address this recommendation. The first involves the Board and staff working to develop the Board's Long Term Investment Strategy. Staff continues to work with the full Board and the Board subcommittee on monitoring and research to further define the agency's role in supporting planning and implementation of a statewide approach to monitoring. The Board has been drafting its strategy with a portion of it focused on monitoring under the theme of a deliberate and targeted investment area. It is expected that the Board will adopt its strategy by the end of the current biennium and that a specific niche for OWEB investment in monitoring will be described. The second area is through the Governor's Natural Resources Operating Cabinet. This policy board established in 2012 includes reps from a few key natural resources agencies and works on priority focus areas for the Governor. One such priority has been to develop an approach and strategy to monitoring natural resources and attempting to establish supporting budgets. This 'enterprise monitoring' approach has, to date, consisted of coordination, developing background briefing papers, and establishing a joint package of funding proposals submitted to the Governor and program funding teams for consideration. Future work will involve the coordination and planning for implementation of related and core monitoring and program priorities supported through agency budgets.
• continue to work with natural resource agencies and other partners to implement a statewide monitoring plan.	2011	Partially Implemented In Progress	OWEB has been working on two fronts to address this recommendation. The first, as with the two previous recommendations, involves the Board and staff working to develop the Board's Long Term Investment Strategy. Staff continues to work with both the full Board and the Board subcommittee on monitoring and research to further define the agency's role in supporting planning and implementation of a state-wide approach to monitoring. The Board has been drafting its strategy with a portion of it focused on monitoring under the theme of a deliberate and targeted investment area. It is expected that the Board will adopt its strategy by the end of the current biennium and that a specific niche for OWEB investment in monitoring will be described. The second area that OWEB has been working on the implementation of this recommendation is through the Governor's Natural Resources Operating Cabinet. This policy body established in 2012 includes representatives from a few key natural resources agencies and works on priority focus areas for the Governor. One such priority has been to develop an approach and strategy to monitoring natural resources and attempting to establish supporting budgets. This 'enterprise monitoring' approach has, to date, consisted of coordination, developing background briefing papers, and establishing a joint package of funding proposals submitted to the Governor and program funding teams for consideration. Future work will involve the coordination and planning for implementation of related and core monitoring and program priorities supported through agency budgets.
<b>Watershed Enhancement Board, Oregon (and other agencies): Measure 66 Funding: Financial Integrity, Effectiveness and Performance for the 2005-2007 Biennium</b>	2009		
We recommend the board work with ODFW and ODA management to ensure they take timely corrective action.	2009	Fully Implemented/ Resolved	

<p>We recommend that OWEB continue monitoring to ensure that at least 65 percent of the expenditures in the Restoration and Protection Subaccount and the Restoration and Protection Research Fund are capital expenditures. If the gap between actual expenditures and the constitutional restriction is not eliminated, OWEB should consider approaching the Governor and Oregon State Legislature for additional budgetary action.</p>	<p>2009</p>	<p>Fully Implemented/ Resolved</p>	
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## Youth Authority

<b>Youth Authority, Oregon: Restriction Level Decisions for Juvenile Offenders Appear Reasonable</b>	2011		
<p>We recommend OYA work with county juvenile departments to improve consistency in documenting in the JJIS services and treatments provided locally to youth offenders and probation violations committed by youth offenders.</p>	2011	Partially Implemented In Progress	<p>The JJIS Steering Committee surveyed county juvenile departments to evaluate the status of their service tracking process and explore what barriers were preventing consistency in documentation of JJIS. The survey was completed by 78% of the counties with 85% indicating some level of services being tracked in JJIS. The current expectation for counties is any state funded treatment services provided are tracked in JJIS. Counties responding varied in where programs and services were tracked. Some of the barriers included lack of clear standards and training, staff time and cost, duplicate data entry, privacy of health care information, and cooperation of service providers. The survey also identified the willingness of counties to increase the level of program/service tracking beyond state funded treatment services in JJIS with 82% responding favorably. Based on the information obtained from the survey it was determined that a policy specific to tracking service in JJIS would assist in creating standards and consistency of expectations concerning program/service tracking. The JJIS Service Tracking policy has been developed and approved by the JJIS Steering committee and is currently being implemented within each county. JJIS business analysts are currently providing training to each county and working with them to develop strategies to overcome identified barriers. Strategies to overcome some barriers will include the identification of enhancements in JJIS such as security related to tracking alcohol/drug and mental health treatment services.</p>
<p>We also recommend OYA consider working with county juvenile departments to develop a process for expunging records that both protects privacy and allows long-term program analysis. Changes to the expunction process may require legislative action.</p>	2011	Fully Implemented/Resolved	<p>This recommendation has been fully reviewed by both the JJIS Policy and Standards, and Data and Evaluation committees where there is representation of OYA and county juvenile department staff. It is the position of both committees that the intent of the current expunction statute is to protect the youth and community and any retention of records following expunction would present potential harm to youth and would not serve the interest of the community. Based on the recommendations of these two committees the JJIS Steering Committee determined there was no value in pursuing a change to the statute related to expunction.</p>
<b>Youth Authority, Oregon: Improvements Needed in Availability and Reliability of Critical Juvenile Justice Information</b>	2009		
<p>Continue efforts to develop and publish reports that provide useful information for decision makers, managers, and the public to promote effectiveness, accountability, and transparency in the juvenile justice system. Consider obtaining input from various government and public stakeholders about what types of reports would be useful to them.</p>	2009	Fully Implemented/Resolved	

In consultation with partner agencies, take steps to ensure the juvenile justice data the Youth Authority and county juvenile departments enter are consistent and reliable.	2009	Fully Implemented/Resolved	
<b>Youth Authority, Oregon: Oversight of Basic and Diversion Services Funds</b>	2009		
We recommend that the Youth Authority, as part of grant administration oversight, provide clear and effective direction to the counties regarding the following requirements:	2009		
-development of the basic services and diversion grants budget that is clearly linked to the specific services and strategies identified in the Comprehensive County Plan;	2009	Fully Implemented/Resolved	
-non-supplanting of county resources with state funds, including the process to determine whether supplanting occurred or may occur in the future;	2009	Fully Implemented/Resolved	
-development of meaningful intermediate outcomes and targets for the services funded with basic services funds; and	2009	Fully Implemented/Resolved	
-maintaining accounting records sufficient to identify actual grant expenditures for which counties requested reimbursement.	2009	Fully Implemented/Resolved	
We recommend that the Youth Authority periodically review county accounting records to identify actual grant expenditures for which counties requested reimbursement and take action if inappropriate expenditures are found.	2009	Decline to Implement	



<p>We also recommend the Youth Authority clarify, in writing, the roles and responsibilities of the Youth Authority and other state agencies involved in the allocation, administration and monitoring of the juvenile justice grants.</p>	<p>2009</p>	<p>Fully Implemented/Resolved</p>	
<p>We recommend that the Youth Authority consider developing an outcome measure that reflects whether services paid for with diversion funds are successful, both short-term and long-term, in keeping youth from being placed in youth correctional facilities.</p>	<p>2009</p>	<p>Fully Implemented/Resolved</p>	