



2023-24 Audit Plan



Secretary of State
Shemia Fagan



Audits Director
Kip Memmott



My mission as Oregon's Secretary of State is to build trust between the people of Oregon and state government so Oregon's public services can make a positive difference in peoples' everyday lives. The Audits Division is one of the most powerful tools I have to build trust, by using accountability to make sure that Oregon's public services are making the biggest difference possible in the lives of Oregonians who need them most.

Over the next two years, the division will tackle some of the biggest challenges facing our state: drug treatment, education, housing, health care, gun violence, and more. Additionally, the division will take on new initiatives, such as addressing the "time tax" as an audit objective. That change will increase our focus on the customer service experience Oregonians have when they interact with state programs. Over time, recommendations geared toward reducing the time tax could have a profound impact on public trust in state government while improving access to services.

Audits are powerful tools. With the recommendations we make, leaders in Oregon can improve state services, ensure equitable use of public resources, and deliver meaningful progress for Oregonians.

Our work in the Audits Division relies on collaboration across state government to succeed. This audit plan is a collaborative effort that would not be possible without Audits Director Kip Memmott, Governor Tina Kotek, the Joint Committee on Legislative Audits, and leadership at all state agencies. I thank them for their ongoing cooperation and encourage all leaders in Oregon to prioritize implementing the recommendations from our talented audits team.

I especially want to thank the staff in the division. Their exceptional work, commitment to professional standards, and willingness to innovate are why the division can have the impact it does.

— *Shemia Fagan, Secretary of State*

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updates on our advisory and systemic risk reports, annual summary reports, and data analytics projects
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About the plan

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New performance audits

The Audits Division selects new performance audits through an independent risk assessment process ([see pg. 15](#)) and in consultation with a wide range of stakeholders: the Governor’s Office, agency directors, members of the Legislature, community and advocacy groups, and individual Oregonians. Audits are most successful when there is buy-in and collaboration with the auditees and stakeholder feedback is an important way to identify areas of risk within state government.

Beginning this year, several audits will include an objective assessing the risks associated with the “time tax.” The time tax is a concept steeped in bureaucracy — the amount of time and effort spent filling out applications, waiting in lines, waiting on the phone, in an attempt to receive critical government services. Assessing the associated risks and impacts of the time tax is aligned with the Audits Division’s commitment to improving government, addressing systemic inequities, and building public trust, and will provide an increased focus on the customer service experience Oregonians have when they interact with programs. This objective is also well aligned with Government Auditing Standards, which require audits to assess efficiency, effectiveness, and equity regarding the use of public resources.



Air Quality Program Enforcement

Department of Environmental Quality

This audit is next in the queue of audits focusing on risks posed to Oregon by climate change. Air quality permitting has been a challenge at the Department of Environmental Quality for many years, in part due to lawsuits and increased regulation at the same time as staffing has stagnated or decreased. Implementation of Cleaner Air Oregon and greenhouse gas emissions programs could be objectives for this audit. This audit will be designed to help inform the new agency director of the current state of air quality enforcement at DEQ, how it compares to other states, and what improvements need to be made. The audit will include an objective to follow up on the 2017 audit of the same subject and assess whether the agency’s reorganization has improved performance. Several legislators requested a performance audit of DEQ.



Adult Protective Services

Oregon Department of Human Services

The number of older Americans will more than double over the next 40 years, reaching 80 million in 2040. The number of adults ages 85 and older, the group most often needing help with basic personal care, will nearly quadruple between 2000 and 2040. This makes the topic of elder abuse an important one. Any senior can become a victim of elder abuse; most are women, adults that have no family or friends nearby, and people with disabilities and memory problems like dementia. Elder abuse can take several forms, including neglect, abandonment, and physical, emotional, sexual, and financial abuse. This audit may have the following objectives: evaluate how ODHS responds to complaints against long-term care facilities and home care workers; estimate the impact violations and fines have on reducing elder abuse in long-term care facilities; assess ODHS's oversight and monitoring of home care workers; and review leading practices other states are using to protect seniors from abuse.

Children's Mental Health Services

Oregon Health Authority

The impact of the COVID-19 pandemic on children's mental health presents serious and complex risks and challenges related to state programs and services. Teen and youth suicide rates have increased alarmingly in recent years, exacerbated by the effects of the pandemic. The Audits Division has executed several audits examining mental health services, including performance audits issued in September 2020 and May 2012. This audit will leverage prior audit work, including following up on progress made on implementing recommendations in prior audits. A major focus of this audit will assess state services and programs designed to prevent suicide and identify leading practices based on emerging studies of youth suicide risks.





Department of Early Learning and Care

Governance and Controls

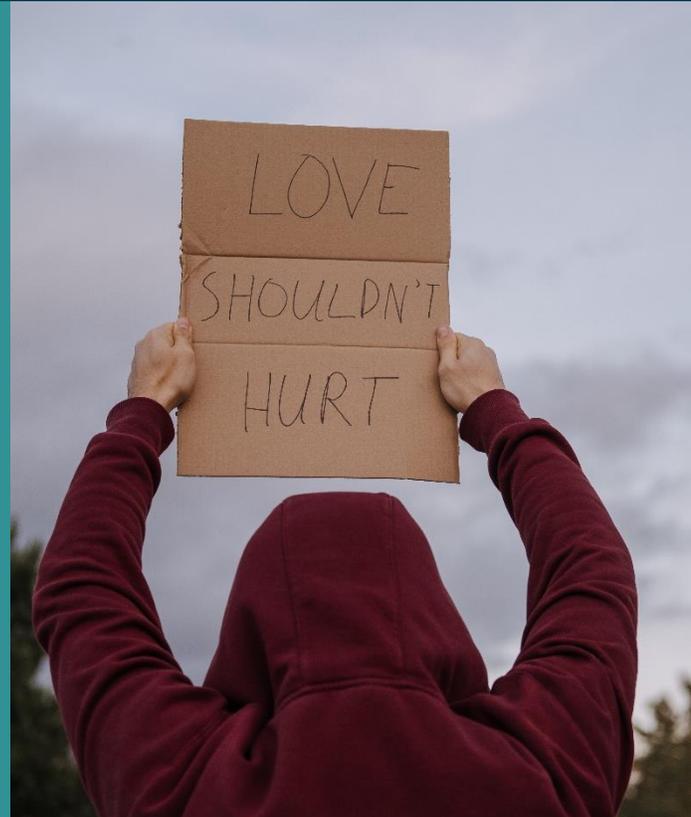
Department of Early Learning and Care

House Bill 3073 (2021) established the Department of Early Learning and Care (DELIC). The legislative intent for creating DELIC was to expand and enhance early learning systems and deliver a unified early education and child care system in diverse settings. The legislation merged five separate state programs into a single department, including the Employment Related Day Care program (ERDC). The creation of new public entities and programs has inherent risks. Establishing proper governance and internal controls is critical for agency stability and the ability of the department to meet its mission and realize its goals. This real-time audit will examine risks and challenges that may hinder DELIC from getting off to a strong and lasting start as a new state agency. The audit will also provide assurance and will be based on a collaborative approach with key stakeholders, including agency management. This audit will also follow up on a child care audit issued by the division in 2020.

Oregon Domestic Violence Programs

Statewide

This audit will focus on developing a comprehensive risk assessment of Oregon's domestic violence programs and services. In consultation with the Oregon Advocacy Commission for Women, preliminary risk assessment work has revealed Oregon lacks a comprehensive program focused solely on domestic violence. Aspects of domestic violence are addressed by other programs but there is a high risk of gaps and redundancies with the state's approach. Domestic violence rates are increasing and have been exacerbated by the pandemic and increasing gun violence.





Universal Health Care Administrative Costs and Time Tax Risks

Statewide

In September 2022, the Joint Task Force on Universal Health Care issued its final report and recommendations. This audit will examine the administrative savings potentials outlined in that report. Savings include reduced administrative costs relating to eligibility and lower fraud, waste, and abuse. According to the task force, health care providers currently spend 13% of their revenues on billing and insurance-related administration. Providers have the potential to save significant administrative expenses under a single payer system.

The audit team will also examine the impacts of the “time tax” imposed by the existing bureaucratic health care system. The people of Oregon spend tens of millions of hours each year filling out applications for benefits, waiting on hold, and dealing with insurance and medical bills. These burdens fall mostly on low-income and disadvantaged populations. This audit will assess the varied costs and benefits of a universal health care system using data analytics and examine the inequitable aspects of the system regarding access, quality, and outcomes.

Oregon Medical Board

Oregon Medical Board

This audit will examine the efficacy of the Oregon Medical Board’s investigation process. Inherent public health risks related to the board’s span of responsibility have been exacerbated by the impacts of the COVID-19 pandemic, the ongoing opioid crisis, and either perception of or actual inequitable treatment and outcomes from state licensing and enforcement functions. There is legislative interest in this audit.





Sexual Health Care and Reproductive Access

Multiple agencies

Oregon is known to have some of the strongest legal protections for reproductive rights in the country. However, ensuring care is accessible and equitable requires more than legal protections, and reproductive rights are only one component of health care services. This audit will examine the availability and accessibility of sexual health care and reproductive access statewide and identify possible improvements. This audit may review past efforts the Legislature has made to improve access, including the Reproductive Health Equity Act of 2017 codifying the right to an abortion into state law and a fund established in 2022 to advance health equity.

Student Success Act District Performance Monitoring

Department of Education's Office of Education Improvement and Innovation, and selected school districts

This audit will evaluate how effectively the Oregon Department of Education's new Office of Education Improvement and Innovation is implementing Student Investment Account requirements to monitor school district performance and assist struggling districts. The annual \$500 million investment account is the largest initiative in the 2019 Student Success Act, Oregon's fourth major K-12 reform effort, and contains the act's most critical accountability provisions. When the Legislature passed the Student Success Act, it provided the office with additional staff focused on state and federal priorities for improving student outcomes. In addition to the investment account, the office also works on federal Title I school improvement, Measure 98 High School Success, and new requirements under the federal Every Student Succeeds Act. The audit will build upon themes from the division's systemic risk report issued in 2022.



New information technology audits

Cybersecurity Audits

Department of Justice

The division has issued a number of cybersecurity audits at several state agencies. The purpose of these audits is to determine whether state agencies have effective and efficient IT security frameworks and control structures.

The Department of Justice is the next agency to be reviewed.



Oregon License Issuance and Vehicle Registration System (OLIVR) Controls

Oregon Department of Transportation

The Oregon License Issuance and Vehicle Registration System (OLIVR) is ODOT's new IT system for the Department of Motor Vehicles. This audit will examine and test system controls to support work being performed by the financial audit team and may also include an accessibility and usability objective.

Financial audits

Statewide Single Audit

In two parts: Financial and federal

A single audit is required by the federal government for the federal financial assistance Oregon receives each year. These audits determine whether amounts reported in Oregon's financial statements are materially correct and adequately supported; evaluate the state's administration of major federal programs for compliance with applicable laws, rules, and regulations; conclude on whether the Schedule of Expenditures of Federal Awards is fairly presented in relation to the state's financial statements; and review accounting and compliance control procedures.

The Single Audit, which accounts for a significant portion of the division's financial work, has two main components. The first is a financial audit of the State's financial statements and reporting on the schedule of expenditures of federal awards (SEFA) in relation to those financial statements. The second is a compliance audit of major federal awards expended during the fiscal year. Most of Oregon's biggest agencies are included in this audit.



Financial statement audits

The objective of these audits is to review internal accounting and compliance control procedures and to obtain reasonable assurance about whether the amounts reported in the financial statements are materially correct and adequately supported.

We annually audit the following programs and agencies:

Oregon State Treasury: Short-Term, Local Government Investment Fund, Intermediate Term Pool

Oregon Business Development Department: Special Public Works Fund and Water Fund

Oregon Department of Energy: Small Scale Energy Loan Program

Department of Environmental Quality: Clean Water Revolving Fund

Oregon Department of Higher Education: High School Graduation and College and Career Readiness Fund (*biennial audit*)

Oregon Health Authority: Oregon Health Insurance Marketplace

This audit also seeks to verify compliance with programmatic requirements set forth by federal regulations, state statute, and the Centers for Medicare & Medicaid Services.

Oregon Housing and Community Services

Oregon State Lottery

Oregon Department of Veterans' Affairs

Rollover performance and IT audits from the 2022-23 plan

A number of audits initiated by the division in 2022 will continue into 2023.

Release dates are tentative and subject to change.

DEC 21	FEB 22	MAR 22	MAY 22	AUG 22	JAN-MAR 23 1 st quarter	APR-JUN 23 2 nd quarter	JUL-SEP 23 3 rd quarter	OCT-DEC 23 4 th quarter
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Oregon Liquor and Cannabis Commission: Effectiveness and equity of cannabis licensing

This audit will examine OLCC regulatory oversight of the Oregon cannabis industry. Audit objectives include examining the effectiveness and equity of OLCC licensing, compliance, and enforcement actions. The audit will likely make recommendations for the structure and resources needed to ensure an effective licensing and compliance system that supports equitable business growth. This audit may also use available disaggregated data regarding disproportional impacts.

Oregon Health Authority: Medicaid Pharmacy Benefit Managers

Medicaid is inherently high-risk and expensive. This audit will focus on Pharmacy Benefit Managers, the middle broker between drug manufacturers, health insurers, and pharmacies. Several recent audits of PBMs in other states have focused on the difference between what the state's Medicaid program paid the PBMs and what the PBMs pay pharmacies to dispense drugs. In addition to being a high-risk area identified by division staff, several external stakeholders, including legislators, have expressed interest in this audit topic.

Oregon Housing and Community Services: Rental assistance program

In December 2021, the Legislature provided emergency funding for rental assistance, including approving \$215 million in funding to continue renter protection. The state is facing criticism for stopping the application process for these funds even though it has been reported Oregon was one of the timeliest states issuing rental assistance. Issues cited by legislators and other stakeholders include technical challenges with rental assistance software and public communication challenges. The division has received a letter requesting an audit of the department by the chairs of the Senate and House housing committees.

Oregon Department of Human Services: Integrated Eligibility (ONE) system controls

The division in 2020 executed a real-time audit of the implementation of the Integrated Eligibility system, now referred to as ONE. The system is intended to streamline the process by which Oregonians apply for critical social welfare services. Overall, that audit found the implementation was proceeding well but did identify several risks. This project includes objectives to determine the appropriateness of system change processes and manual and automated processes to ensure the system correctly determines eligibility for critical benefit programs to support the division's mandated federal financial and compliance audit work.

Statewide: State workforce governance and modernization

The pandemic fundamentally and permanently changed the Oregon state government workforce. This audit will seek to identify and assess the evolving workforce environment; offer recommendations for how the state can implement progressive, human capital management strategies; and provide assurance where the state is implementing leading and innovative personnel management practices.

This audit will include an objective examining mandatory employee overtime to ascertain the root causes for this overtime, its impact on employees, and to identify possible alternative strategies.

Department of Justice: Oregon's red flag policy

Based on the division's strategy of addressing emerging risks and in response to increasing gun violence in the nation, we identified the Red Flag policy advisory project as an opportunity to use our skills and resources to provide state leadership with timely, high-quality analysis and information related to red flag programs. This project includes an assessment of Oregon's approach, an analysis of other state red flag programs, and the red flag provision contained in the recent federal gun reform legislation.

Non-audit special projects

The Audits Division has long been a national leader with our audit work and is constantly pursuing innovative strategies rooted in our values of transparency and accountability. The division has successfully developed and deployed several of these initiatives already, including real-time audits, non-audit advisory reports, cybersecurity control audits, high risk systemic reports, and recommendation follow-up reports.

While the division maintains flexibility and may pursue some non-audit projects during the period covered by this audit plan, our priorities remain the same: audit work and staff professional development and well-being.

Advisory and systemic risk reports

These reports are distinct from audits in that they do not strictly adhere to Government Auditing Standards. Standards ensure audits are conducted systematically and findings and conclusions are accurate and supported by evidence; yet standards also require audits to follow a rigorous process that can be time-consuming. Through advisory reports, the division can conduct its work and report results in a timelier fashion.

It is important to note the Audits Division remains committed to ensuring the accuracy of its conclusions and findings, even with advisory reports. Therefore, all of our advisory reports follow the same quality assurance process as each of the division's audits. We stand behind our evidence and the strength and precision of our conclusions.

These reports have been highly successful in communicating audit-grade information on many pressing issues to the state of Oregon. This included our pilot systemic risk report analyzing risks from multiple audits of the Oregon Department of Education. Given the long-term relevancy of those findings and their value to the Governor's Office and legislative leadership, the division plans to pursue additional risk reports, including:

Boards and commissions governance: Oregon utilizes a variety of boards and commissions to assist with state governance. The size and scope of the boards and commissions vary greatly, but they share similar risks. A performance audit issued in 2012 identified several risks, including inadequate segregation of duties, lack of adequate staffing, insufficient training, lack of performance assessment and outcome measurement, lack of oversight of directors and professional staff, fraud risks, overlapping duties, and a lack of transparency. Since that time, the division has executed a plethora of audits involving boards and commissions and many have identified these same risks. This advisory risk report would include a systemic root cause assessment of boards and commissions with the goal of generating recommendations based on leading practices to ensure state boards and commissions are fulfilling their statutory responsibilities in a transparent and effective manner.

The centralized role of the Department of Administrative Services (DAS) in state government: The Department of Administrative Services plays a critical governance role for the state, provides a wide range of important services, and is a key control agency for state government. Within this context, the division plans to assess whether DAS has an effective governance structure for both its responsibilities

as the state general services agency, and as the lead governance agency led by the state Chief Operating Officer. Report objectives may include reviewing whether the agency's legal responsibilities are clear and if the agency is adopting strategic and operational plans that fully meet its varied responsibilities, as well as an objective evaluating what additional duties and authority the state's Chief Operating Officer position entails and whether those duties are being effectively executed. The project may include an objective examining state procurement practices from a systemic gap, cost, and redundancy analysis.

Multi-state Medicaid eligibility project: While in the early planning stages, the division has been discussing a multi-state Medicaid eligibility project with the Washington State Auditor's Office, the Ohio State Auditor's Office, and the U.S. Health and Human Services Inspector General about a joint project examining Medicaid eligibility risks. Other state audit functions may also join the envisioned project.

Pay Equity Report: In 2015, Portland State University released a report highlighting how women and people of color faced wage gaps while working for the State of Oregon. Oregon passed the Pay Equity Bill in 2017 that established new requirements for setting starting salaries and encouraging employers to perform pay equity analyses. The state has performed two rounds of pay equity adjustments and this report analyzes the outcomes of those adjustments to see how well the State of Oregon is closing median wage gaps for women and people of color.

Summary reports

The division also issues annual reports summarizing three significant programs: the State Government Accountability Hotline, the Municipal Audit Program, and the Statewide Single Audit.

State Government Accountability Hotline: In 1995, the Legislature created the hotline for employees and members of the public to report waste, inefficiency, or abuse by state agencies, state employees, or persons under contract with state agencies. The hotline was formerly known as [the Government Waste Hotline](#). The Audits Division is required to prepare and submit to the Legislature an annual report describing the number, nature, and resolution of reports made through the hotline.

Municipal Audit Program: Oregon's municipal corporations, as defined by [Municipal Audit Law](#), include all counties, cities, school districts, special districts, and public corporations subject to control by local governments. Municipal Audit Law provides instructions for the type and submission of annual reports that municipal corporations are required to submit to the Secretary of State. The law also requires the Secretary of State to prepare an annual summary report detailing which municipal corporations filed audit reports as required and which did not.

Keeping Oregon Accountable: The Audits Division annually audits the State of Oregon's financial statements and compliance with federal program requirements. The federal government requires these audits for the financial assistance Oregon receives annually. These audits determine whether amounts reported in Oregon's financial statements are materially correct and adequately supported; evaluate the state's administration of major federal programs for compliance with applicable laws, rules, and regulations; conclude on whether the Schedule of Expenditures of Federal Awards is fairly presented in relation to the state's financial statements; and review accounting and compliance control procedures. We annually prepare a report summarizing the results of these audits.

About the plan

The mission of the Oregon Audits Division is to protect the public interest and improve Oregon government. A key component of this mission is the division’s annual audit plan, which lists the agencies, programs, and topics prioritized for audits in the coming year.

The annual audit plan demonstrates two key philosophies of the Audits Division: **our commitment to building public trust and transparency, and our emphasis on being agile and responsive to critical issues facing the state.** While we are committed to completing the audits listed in the plan, our risk assessment process is continuous. The plan is a flexible document, and we will redirect audit resources as necessary to address issues as they arise.

Government audit standards require any audit initiated be completed unless circumstances arise that justify its termination. Any decision to terminate an audit must be documented and publicly reported. We follow professional standards and guidelines in both developing and executing this audit plan.

We select and prioritize audits using a risk-assessment approach

Audits are all about risk. There will always be inherent risks in state government owing to the size of budgets, the vulnerable populations served, and the important work state agencies do in service of Oregonians.

Since we cannot feasibly audit all of state government all the time, we carefully prioritize our resources and generally go where the risk is highest. To determine that, our audit plan is developed using a risk-assessment process based on specific factors relating to the quality of internal controls and the liability and level of exposure to the state of various agencies, programs, or activities.

- The direction of the elected Secretary of State
- Industry-standard risk assessment criteria
- Previous audits of agency operations and internal controls
- Trend analyses to identify recurring audit findings and control deficiencies
- Audit follow-up and recommendation tracking
- The state’s Single Audit Reports and audit management letters
- Input from elected officials, including the Governor’s Office and members of the Joint Committee on Legislative Audits
- Emerging risk areas
- Size of audited agency or program
- Compliance and regulations
- Pending or recent legislation
- Complexity of transactions
- Fiscal sustainability
- Management accountability
- Quality of internal control system
- Age of program or operation
- Audit history
- Public health and safety
- Critical infrastructure
- Short- and long-term strategic risks
- Related litigation and relevant case law
- Input from agency management, other public sector audit organizations, and members of the public
- Priorities and work products of other leading government audit functions
- Topics informed and suggested by research conducted by Audits Division staff
- Current events and trends, financial conditions, and public policy issues, including emerging policy
- Equity, inclusion, and diversity risks and frameworks



Oregon Audits Division
255 Capitol St NE, Suite 180
Salem OR 97310

(503) 986-2255
audits.sos@oregon.gov
sos.oregon.gov/audits

