

Fiscal Year 2023

Keeping Oregon Accountable

June 2024

Report 2024-18



Oregon Secretary of State
Audits Division

Report Highlights

Fiscal Year 2023

Keeping Oregon Accountable

The Secretary of State 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 every 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 results of these audits are included in the [State's Annual Financial Report](#) and the annual [Statewide Single Audit Report](#). This report summarizes the audits of fiscal year 2023, which went from July 1, 2022, to June 30, 2023.

AUDIT OF THE STATE OF OREGON'S FINANCIAL STATEMENTS

- We issued an unmodified opinion (clean) on the state's financial statements for fiscal year 2023.
- We identified \$2.9 billion in accounting errors (unintentional mistakes) and proposed adjustments to correct them in the financial statements.
- We issued four material weaknesses and 10 significant deficiencies in internal control with recommendations to improve standard controls used to ensure the accuracy of financial information. A material weakness is a deficiency that could reasonably lead to a material misstatement. A significant deficiency is less severe than a material weakness, yet requires corrective action.

AUDITS OF COMPLIANCE WITH FEDERAL PROGRAM REQUIREMENTS

- We audited 18 federal programs at 11 agencies and issued 31 findings and recommendations.
- The state expended more than \$20.4 billion in federal funds, including over \$3.6 billion in COVID-related funding.
- We questioned whether \$2.8 million in expenditures were appropriately paid with federal funds.
- We issued a disclaimer of opinion on the Emergency Solutions Grant program due to a lack of sufficient evidence to complete all audit procedures and form an opinion. This is the second year in a row we have issued a disclaimer for this program.
- We issued qualified opinions on the Low-Income Home Energy Assistance; Block Grants for Community Mental Health Services; Block Grants for Prevention and Treatment of Substance Abuse; Medicaid Cluster; Temporary Assistance for Needy Families; and Rehabilitation Services Vocational Rehabilitation Grants to States programs. Qualified opinions indicate the internal controls are inadequate to prevent or detect significant noncompliance in a timely manner.
- We followed up on 71 findings from the prior three years to see if corrective action had been taken at nine agencies.



Oregon Secretary of State
Audits Division

Secretary of State **LaVonne Griffin-Valade**
Audits Director **Kip R. Memmott**

Overview of Annual Financial and Federal Audits

The Secretary of State Audits Division annually audits the State of Oregon’s financial statements and compliance with certain federal program requirements. The federal government requires these audits for Oregon to receive financial assistance. Prior to the pandemic, federal financial assistance ranged between \$11 and \$12 billion per year. With the onset of the pandemic came new and expanded federal programs; as a result, the state received \$17.4 billion in fiscal year 2020, \$21.9 billion in fiscal year 2021, \$20.8 billion in fiscal year 2022, and \$20.4 billion in fiscal year 2023.

The annual financial and federal audits determine whether the amounts reported in Oregon’s financial statements are materially correct and adequately supported, and evaluate the state’s administration of major federal programs for compliance with applicable laws, rules, and regulations.

This report summarizes the results of the fiscal year 2023 annual audits: The State’s [Annual Comprehensive Financial Report](#) and annual [Statewide Single Audit Report](#). Detailed financial and federal findings, auditor recommendations, and agency planned corrective actions are included in the Statewide Single Audit Report. A [glossary](#) of audit and accounting terms is located at the end of this report.

Annual Financial Report

State agency directors and managers are accountable to Oregonians for how they use public monies. To help ensure accurate financial reporting, state agencies are to comply with Generally Accepted Accounting Principles. The management of each state agency is responsible for implementing and maintaining effective internal controls to ensure the integrity of financial and accounting information.

Preparing accurate financial statements is essential to ensure reliable and transparent financial information is provided to decision-makers and key stakeholders. These statements provide a comprehensive view of the state’s financial activities during the fiscal year (Statement of Activities) and an overall picture of the state’s financial position at the end of the fiscal year (Statement of Net Position).

Statewide Accounting and Reporting Services, a unit of the Department of Administrative Services, prepares the statements by compiling financial information from more than 100 state agencies into the proper format for governmental reporting. The unit also provides accounting guidance and training to state agency staff throughout the year.

We audit these financial statements following Government Auditing Standards applicable to financial audits, which require we plan and perform audit work to obtain reasonable assurance about whether the financial statements are materially correct. As part of the annual audit of the state’s financial statements, we provide our professional opinion about the completeness, accuracy, and reliability of the state’s accounting information. Accurate and reliable accounting data is crucial to tracking how state dollars are spent and provides a starting point for the next budget cycle.

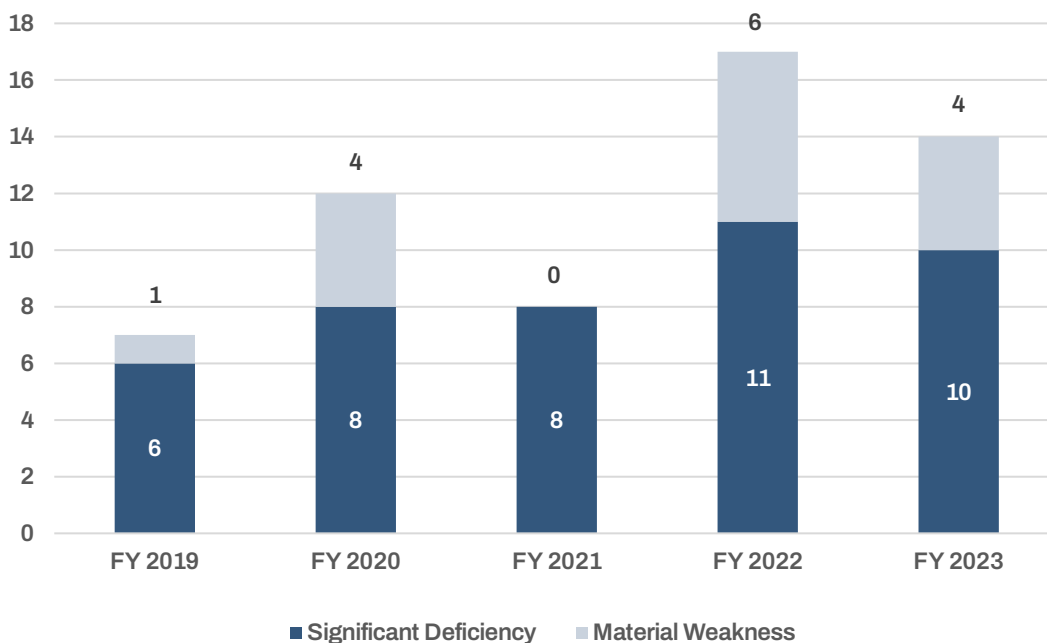
Fiscal year 2023 results

We issued an unmodified opinion on the state’s financial statements for fiscal year 2023, meaning the financial statements, as corrected, are “fairly presented in conformance with Generally Accepted Accounting Principles.”

To conduct this audit, our financial auditors performed audit procedures on all major funds of the government and audited over 300 accounts at 25 state agencies, including the Departments of Human Services, Education, Transportation, Revenue, and the Oregon Health Authority. During the course of our audit, we reviewed assets of \$62 billion, liabilities of \$17 billion, revenues of \$41 billion, and expenditures of \$38 billion. We reported the results of our audit to agency management, the state Legislature, federal officials, and the public.

Our audit of the state’s financial records resulted in 14 findings across 11 state agencies. To mitigate risks from these findings, we recommended agencies improve standard controls commonly used to ensure the accuracy of financial information. The type of control finding we report depends on the degree of control weakness and generally falls into one of two categories, as shown in Figure 1: a significant deficiency or material weakness. A material weakness is more severe and more likely to have an impact on the financial statements.

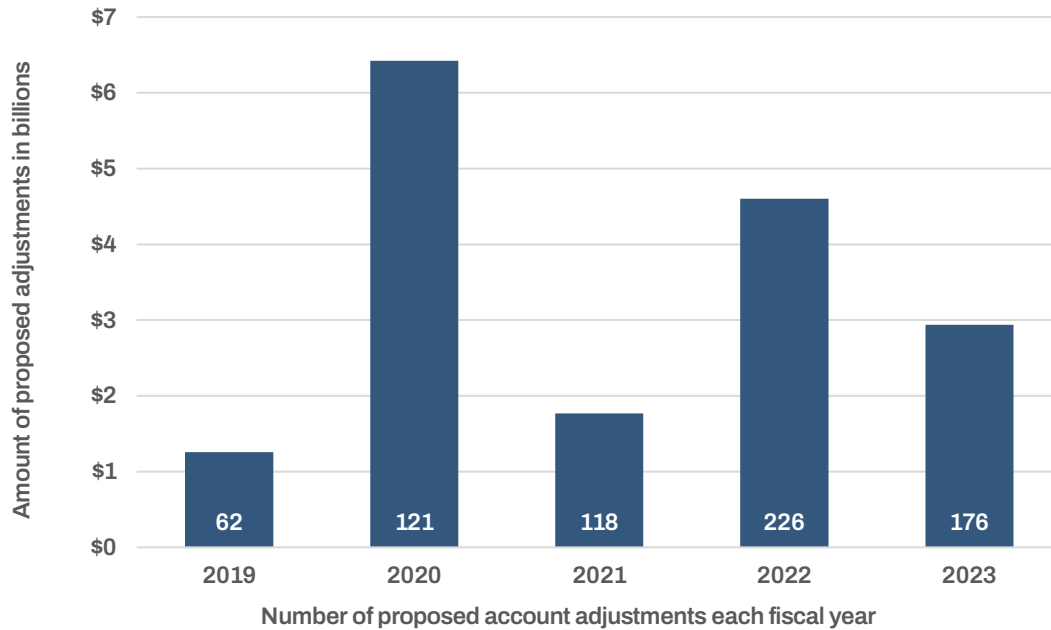
Figure 1: The number of material weaknesses identified varies from year to year



We proposed audit adjustments to correct accounting errors in the state’s financial statements. Accounting errors occur when an agency does not record a transaction, or records a transaction using incorrect account coding, resulting in amounts appearing in the wrong year or the wrong place in the financial statements. Adjustments may also be necessary when an accounting standard is misinterpreted or misapplied.

When errors are large enough to misrepresent the balance of a fund, we propose adjustments to correct the account balance. Figure 2 shows the dollar amount and number of adjustments decreased in fiscal year 2023 from 2022, but were still larger than the amount of adjustments in fiscal year 2021.

Figure 2: The dollar amount of adjustments decreased in fiscal year 2023



Approximately 88% of audit adjustments resulted from control deficiencies related to year-end accounting entries, where accruals did not reasonably estimate actuals, contained arithmetic errors, or were not made. Additionally, deficiencies were related to incorrect revenue recognition, bond valuations, account classifications, correcting prior period entries, and payable balances. Another 11% were adjustments to the recording of opioid, tobacco, and other settlements. Although fiscal year 2023 was the first year GASB 96 was implemented (requiring capitalization of subscription-based information technology assets), less than 1% of the adjustments were related to this new standard. Adjustments related to COVID-19 funding were also less than 1% of the total made.

Most of our proposed adjustments moved reported amounts from one financial account to another to properly report account balances in the correct classification. These proposed adjustments were necessary to align Oregon’s financial statements with accounting standards and demonstrate the importance of the annual financial audit. Figure 3 lists the agencies where we proposed audit adjustments for fiscal year 2023.

Figure 3: Proposed financial audit adjustments totaled \$2.9 billion for fiscal year 2023

State agency	Accounts affected	Amount
Oregon Department of Human Services / Oregon Health Authority	42	\$2,276,137,006
Department of Revenue	8	198,403,462
Oregon Business Development Department	8	82,361,802
Multiple agencies*	18	78,969,992
Department of Justice	41	77,321,062
Oregon Employment Department	6	64,514,343
Department of Consumer and Business Services	6	61,782,458
Oregon Department of Emergency Management	8	50,540,290
Oregon Department of Forestry	7	23,528,885
Department of Administrative Services	6	10,818,586
Oregon Judicial Department	12	9,554,595
Oregon State Police	11	4,203,570
Higher Education Coordinating Commission	3	1,399,602
Total	176	\$2,939,535,653

*Note: In fiscal year 2023, adjustments were proposed to identify and track activity related to smaller agencies (e.g., Oregon Film & Video, Travel Information Council, and Commodity Commissions) that are part of the reporting entity, but optionally excluded from the financial statements.

History of annual financial report findings

As part of our audit, we also assess whether agencies have made progress on correcting findings from prior years. As shown in Figure 4, 11 financial findings from prior years were corrected in 2023. While 11 prior year findings remain outstanding, the agencies have made progress toward addressing the recommendations.

Figure 4: Fiscal year 2023 saw half of the prior year financial findings corrected

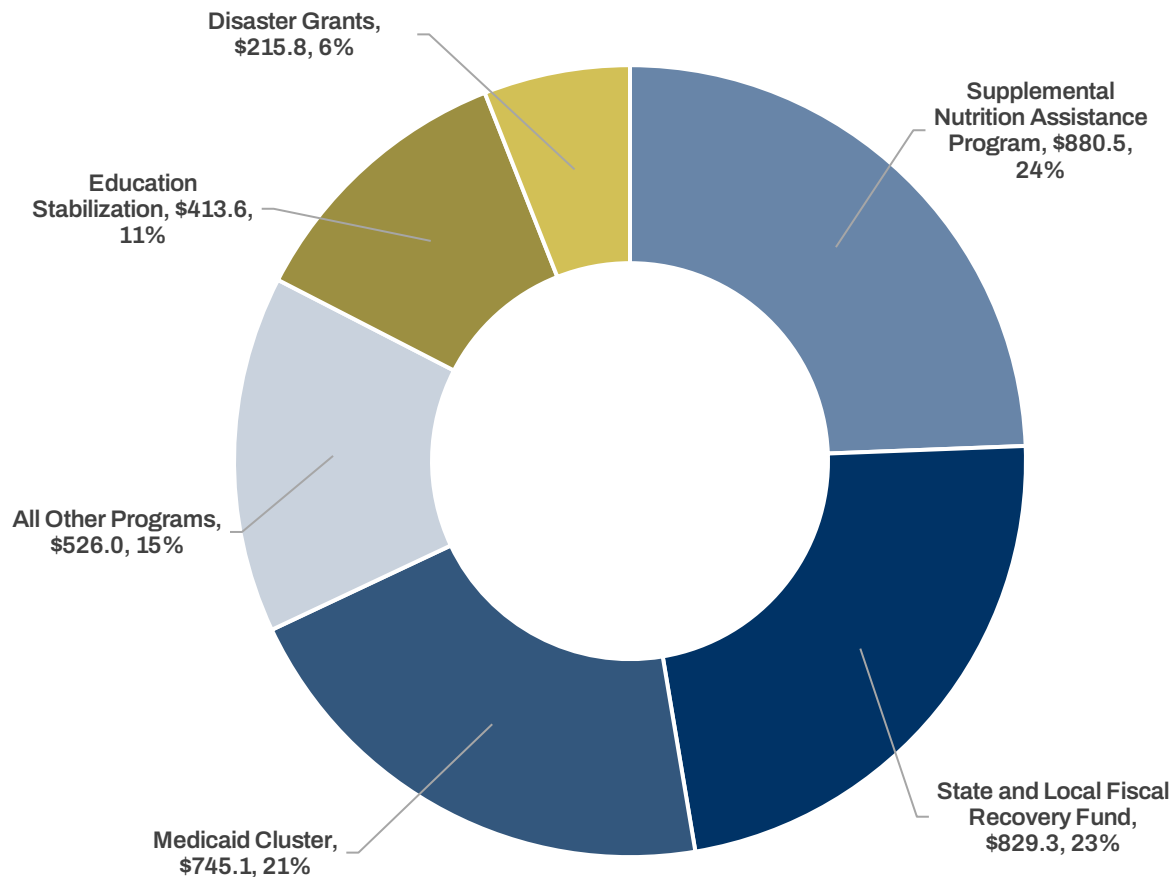
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total prior year findings reviewed	20	16	17	15	22
Prior year findings, not resolved	13	7	7	5	11
Prior year findings, corrected	7	9	10	10	11
Rate of corrections	35%	56%	59%	67%	50%

Statewide Single Audit

Oregon receives and expends federal dollars annually through grant agreements with federal agencies; in fiscal year 2023, this totaled \$20.4 billion, about 40% of total state expenditures. These grants are awarded to state agencies for programs that provide various services, including public health and safety, agricultural research, and homeland security. Agencies receiving the funds are required to comply with various federal requirements for the administration of the programs. The state continued to expend COVID-19 funds resulting from the global pandemic — \$3.6 billion, or 18% of the federal dollars expended in fiscal year

2023, were the result of COVID-19 legislation. Figure 5 identifies the largest programs in fiscal year 2023 expending COVID-related funding.

Figure 5: Five programs expended over 85% of fiscal year 2023 COVID-19 funding (in millions)



The Oregon Audits Division issues the Single Audit Report, which includes a schedule prepared by the Department of Administrative Services of all federal funds spent by the state for the year. The report also includes audit findings from the annual financial audit and the federal compliance audits. Agency management provide responses on whether they agree with each finding and what actions they plan to take to correct the underlying issues. In addition, the report presents the status of findings for the prior two years and any action agency management has taken to correct the findings.

The federal government uses the annual Single Audit Report to monitor how well its programs are administered and to follow up on any findings. Federal granting agencies follow up on audit findings to enforce compliance and determine whether questioned costs need to be repaid or if sanctions will be imposed.

The federal Office of Management and Budget (OMB) develops nationwide rules for performing federal compliance audits. OMB provides rigid instructions for determining which programs to audit and the

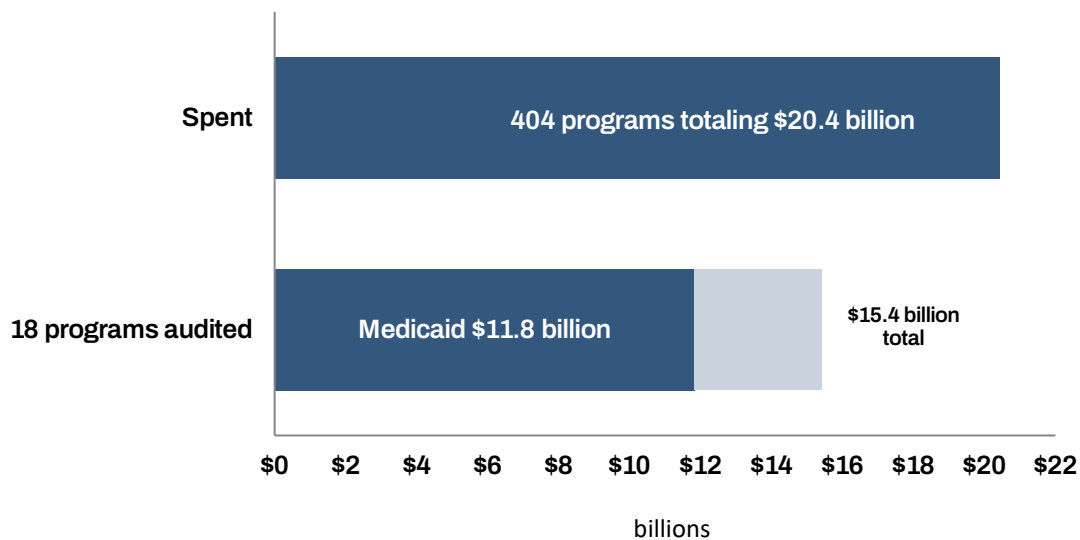
specific audit procedures to perform to ensure the state is complying with federal requirements when administering the programs. The federal government uses the annual Single Audit Report to monitor how well its programs are administered and to follow up on any findings. Federal granting agencies follow up on audit findings to enforce compliance and determine whether questioned costs need to be repaid or if sanctions will be imposed.

Fiscal year 2023 federal expenditures

In fiscal year 2023, the State of Oregon spent \$20.4 billion in federal funds across 404 federal programs administered by 43 state agencies. Adhering to OMB requirements to select programs based on expenditures and risk, we audited 18 major programs for compliance with federal requirements.

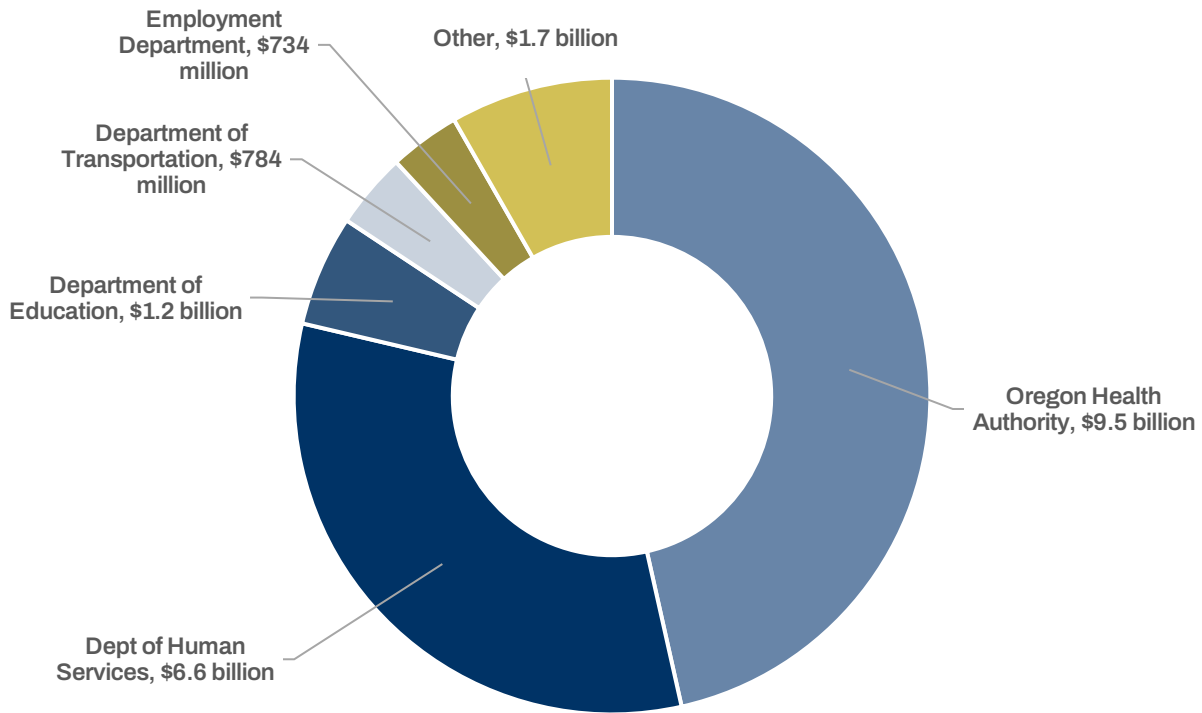
As shown in Figure 6, the audited programs accounted for \$15.4 billion, or 75%, of the \$20.4 billion spent in fiscal year 2023. Medicaid is the single largest program; it alone accounts for \$11.8 billion in federal funds spent by the state.

Figure 6: We audited 75% of fiscal year 2023 single audit expenditures (in billions)



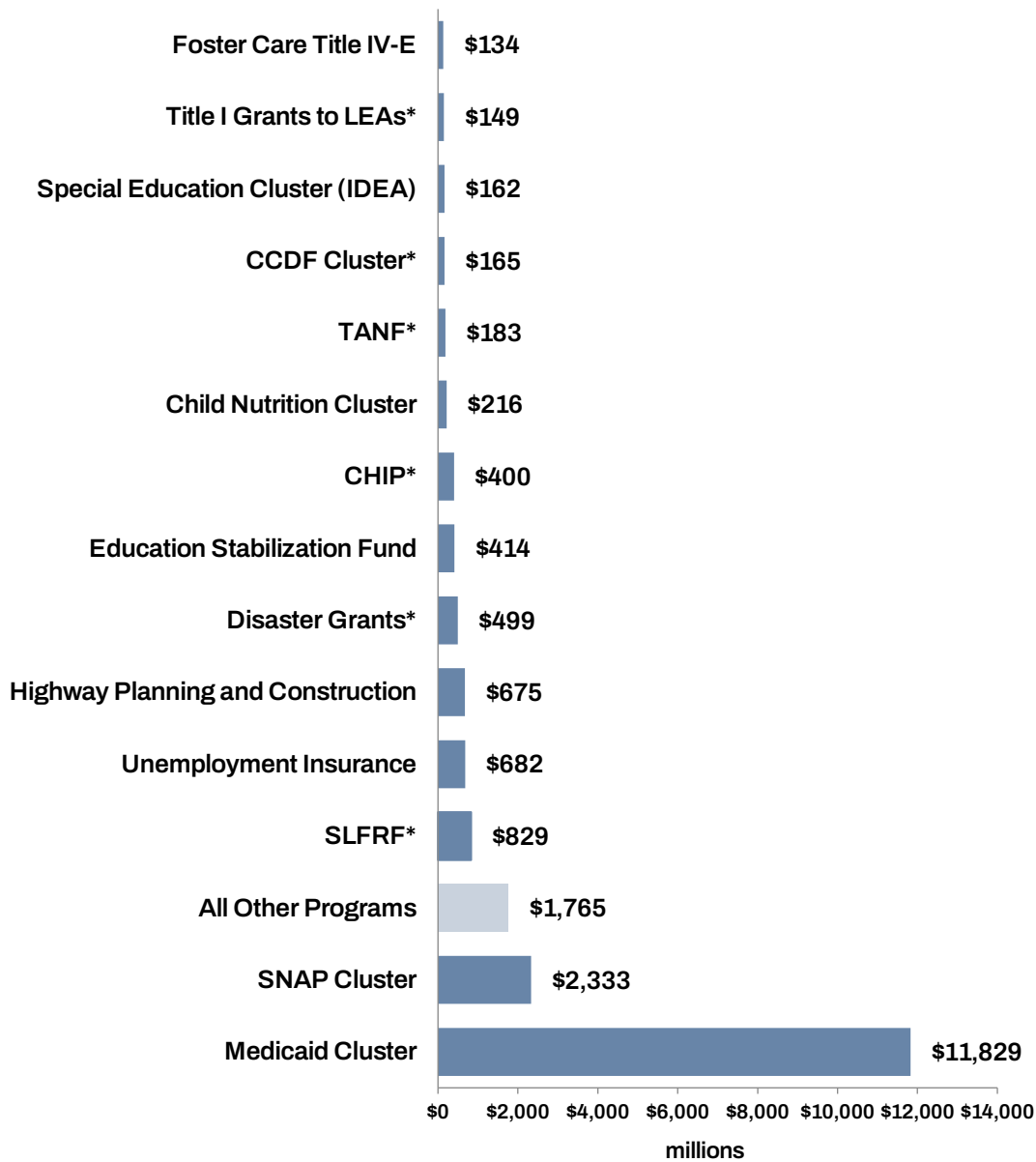
As shown in Figure 7, the Oregon Health Authority and the Oregon Department of Human Services accounted for \$16.1 billion, or 79%, of the state’s federal expenditures. The Medicaid program accounts for 89% of the Oregon Health Authority’s federal expenditures and 51% of the Oregon Department of Human Services’ federal expenditures. The Oregon Department of Human Services administers other large federal programs, including Supplemental Nutrition Assistance, commonly known as food stamps, Temporary Assistance for Needy Families, and Foster Care.

Figure 7: ODHS and OHA account for 79% of federal expenditures by state agencies, fiscal year 2023



Of the 404 federal programs administered by the State of Oregon in fiscal year 2023, 14 programs account for 91% of the state’s total federal expenditures. The Medicaid program is by far the largest public assistance program administered by the state, as depicted in Figure 8. The “All Other Programs” category combines the other 390 federal programs, each with expenditures less than \$100 million.

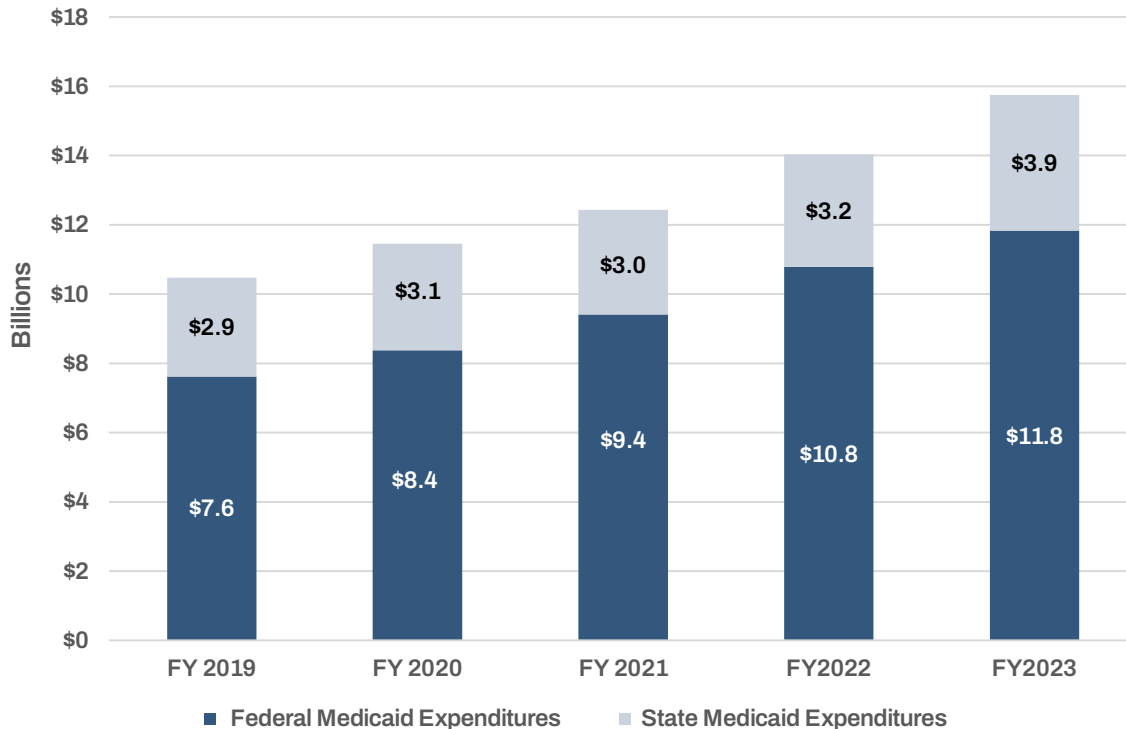
Figure 8: Medicaid and SNAP expenditures far exceed expenditures of other programs, fiscal year 2023 (in millions)



* Note: Full titles are: Title I Grants to Local Educational Agencies, Child Care and Development Fund Cluster, Temporary Assistance for Needy Families, Children’s Health Insurance Program, Disaster Grants - Public Assistance (Presidentially Declared Disasters), and Coronavirus State and Local Fiscal Recovery Fund.

The Medicaid program provides health insurance coverage to low-income families. The cost to provide this coverage generally grows every year. Figure 9 shows Oregon’s Medicaid costs, both federal and state, for the past five years.

Figure 9: Total Medicaid expenditures increase each year



Fiscal year 2023 Statewide Single Audit results

As shown in Figure 10, we audited 18 federal programs administered by the State of Oregon (some programs across multiple agencies). Prior to 2021, only Medicaid was considered a high-risk program by the federal government. Due to the risks associated with COVID funding, the federal government began classifying additional programs as high risk beginning in fiscal year 2021. The Education Stabilization Fund, Coronavirus State and Local Fiscal Recovery Fund, and Emergency Rental Assistance programs, like Medicaid, were also considered high-risk by the federal government and required to be audited this year.

We audited six programs at Oregon Health Authority, four programs at Oregon Department of Human Services, four programs at Oregon Housing and Community Services, two programs at the Oregon Employment Department, and two programs at the Oregon Department of Education. Programs were also audited at Oregon Department of Corrections, Oregon Business Development Department, Oregon Department of Emergency Management, Oregon Commission for the Blind, the Department of Consumer and Business Services, and the Department of Administrative Services. OMB Uniform Guidance requires these audits. Some programs involved auditing multiple agencies.

We reported 31 findings to eight of these agencies with recommendations to improve controls over compliance with the key federal requirements relevant to each program. Similar to our audit of the annual financial report, the type of control finding we report depends on the degree of control weakness and generally falls into one of two categories: a significant deficiency or a material weakness in controls over compliance.

In addition to the findings, we questioned whether Oregon’s spending of \$2,780,636 in federal funds was appropriate under federal program rules. “Questioned costs” is a term OMB requires when reporting findings. When we question costs, we are identifying program costs that may, or may not, be allowed to be paid for with federal funds. The federal funding agency reviews our findings and determines whether the costs are appropriate and federally reimbursable.

Figure 10: We audited 18 programs expending \$15.4 billion in federal funds for fiscal year 2023

Federal Program	2023 Findings	Federal Program Expenditures
Medicaid Cluster	3	\$11,828,635,188
Coronavirus State and Local Fiscal Recovery Funds (SLFRF)	1	829,300,192
Unemployment Insurance	0	682,228,562
Disaster Grants - Public Assistance	2	499,077,364
Education Stabilization Fund (ESF)	3	413,608,266
Children's Health Insurance Program (CHIP)	0	399,526,764
Temporary Assistance for Needy Families (TANF)	3	183,272,827
Child Care and Development Fund (CCDF)	4	165,135,037
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	1	71,282,325
Low-Income Home Energy Assistance (LIHEAP)	3	64,650,021
Rehabilitation Services Vocational Rehabilitation Grants to States	5	60,744,637
1332 State Innovation Waivers	0	60,262,446
Emergency Rental Assistance (ERA)	1	44,735,180
Block Grants for Treatment of Substance Abuse (SABG)	1	26,309,071
Block Grants for Community Mental Health Services (MHBG)	2	18,589,894
Emergency Solutions Grant Program (ESG)	2	11,407,900
Trade Adjustment Assistance	0	29,786,635
Homeowner Assistance Fund (HAF)	1	21,938,207
	32	\$ 15,410,490,516

One SABG finding is shared with MHBG and was counted twice.

This year, we questioned \$562 thousand in directly identifiable costs and another \$2.2 million in projected (likely) errors based on our sample testing. Figure 11 shows the amount of known and likely questioned costs we identified by program and state agency.

The Temporary Assistance for Needy Families program at the Oregon Department of Human Services had the largest amount of questioned costs: \$1.3 million in known and likely errors. Questioned costs were primarily due to failure to document compliance with specific eligibility requirements before issuing benefits. Eligibility compliance ensures only those individuals meeting the program requirements are receiving benefits.

Figure 11: The majority of likely questioned costs were for the Temporary Assistance for Needy Families and Rehabilitation Services - Vocational Rehabilitation Grants to States programs

State Agency	Federal Program Expenditures	Questioned Costs
Oregon Department of Human Services		
Temporary Assistance for Needy Families	\$ 183,272,827	\$ 1,285,903
Oregon Department of Human Services/Oregon Commission for the Blind		
Rehabilitation Services Vocational Rehabilitation Grants to States	60,744,637	885,903
Department of Early Learning and Care		
Child Care and Development Fund	165,135,037	444,242
Oregon Housing and Community Services		
Emergency Rental Assistance	44,735,180	96,624
Low-Income Home Energy Assistance Program	64,650,021	42,483
Oregon Health Authority		
Special Supplemental Nutrition Program for Women, Infants, and Children	71,282,325	18,002
Oregon Health Authority/Oregon Department of Human Services		
Medicaid	11,828,635,188	7,478
Total	\$ 12,418,455,215	\$ 2,780,636

Program internal control and compliance opinions

When the results of an audit determine the agency has sufficient controls to administer the program and the program is generally in compliance with federal requirements, we issue an unmodified opinion. An unmodified, or “clean,” opinion means there are no “qualifications” (concerns) that would cause us to alter our opinion. Modified opinions include the following:

- **Qualified:** internal controls are inadequate to prevent or detect significant noncompliance.
- **Adverse:** pervasive weaknesses in a program’s internal controls such that it will not prevent or detect significant noncompliance.
- **Disclaimer:** lack of sufficient, appropriate audit evidence to support an opinion on program compliance.

For fiscal year 2023, we issued modified opinions for the programs shown in Figure 12. The Emergency Solutions Grant program was issued a disclaimer of opinion for the second year in a row. The Temporary Assistance for Needy Families (TANF) program has been issued a qualified opinion for the last six years. The Low-Income Home Energy Assistance Program has been issued a qualified opinion three years in a row. The Block Grant for Prevention and Treatment of Substance Abuse and the Block Grant for Community Mental Health Services Programs both received qualified opinions in 2022 and 2023.

Figure 12: Disclaimer, Adverse, and Qualified Opinions issued fiscal years 2019 – 2023

Program	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
Emergency Solutions Grant				Disclaimer	Disclaimer	
Temporary Assistance for Needy Families	Qualified	Qualified	Qualified	Qualified	Qualified	
Low-Income Home Energy Assistance Program			Qualified	Qualified	Qualified	
Block Grants for Community Mental Health Services				Qualified	Qualified	
Block Grants for Prevention and Treatment of Substance Abuse				Qualified	Qualified	
Coronavirus State and Local Fiscal Recovery Fund				Qualified		
Medicaid Cluster					Qualified	
Rehabilitation Services – Vocational Rehabilitation Grants to States					Qualified	
Emergency Rental Assistance				Adverse		
	Qualified Opinions	1	1	2	5	6
	Adverse Opinions	0	0	0	1	0
	Disclaimer of Opinion	0	0	0	1	1

History of Statewide Single Audit findings

The OMB establishes categories of compliance requirements and the federal awarding agencies determine which categories are key for their programs. Not all requirements apply to every program and some requirements are more complex than others. Figure 13 illustrates compliance requirements with findings for the past five years. Totals by category indicate which requirements are most problematic for Oregon.

Figure 13: Findings history by type of compliance requirement

Compliance requirement	2019	2020	2021	2022	2023
Allowable Activities and Costs	5+	6+	4+	16+	9+
Cash Management				2	1
Eligibility	2	5+		3+	2+
Equipment		1	1	1	1+
Matching, LOE, Earmarking	1	2+	4+	3	2+
Period of Performance	1	2	1	2	1+
Procurement and Suspension and Debarment	1			2	1+
Reporting	3	5	7	9	7+
Subrecipient Monitoring	1	2	5+	6	2
Special Tests	3	5+	7	6	5+
Total findings	17	28	29	50	31

Note: Plus sign indicates multiple compliance requirements appear in one finding, but are only counted once in this display.

The OMB requires auditors to perform follow-up procedures in the following year to determine whether an agency has taken appropriate corrective action to resolve the findings. We followed up on the status of 71 federal compliance findings that remained uncorrected from prior years and found agencies had corrected 23 of them. An additional 2 findings did not warrant further action. However, 46 prior year findings will continue into fiscal year 2024 because they remain uncorrected. In addition, 14 of the 18 programs audited for fiscal year 2023 have findings that will require follow-up or full audits in 2024.

Some findings remain uncorrected from one year to the next because agencies do not correct the underlying issues causing the noncompliance or control weaknesses. While some findings take time and resources to correct, others may remain simply because management does not make it a priority to address them.

Figure 14 displays a history of ongoing findings by agency, program, and nature of the findings that continue to be uncorrected at the end of fiscal year 2023 and have been ongoing for at least four years. When a finding is uncorrected, we are required to continue auditing the requirement until it is resolved.

Figure 14: History of ongoing findings

Agency	Program	Finding Summary	Origination Year	Years Ongoing
ODHS	Temporary Assistance for Needy Families	Accurate reports	2010	14
ODHS/OHA	Medicaid	Provider eligibility	2012	12
DELCO/ODHS	Child Care and Development Fund	Incorrect copays	2014	10
ODFW	Fish & Wildlife Cluster	Monitoring real property	2017	7
ODHS	Temporary Assistance for Needy Families	Accurate report calculations	2019	5
OHA	Opioid STR	Subrecipient monitoring	2019	5
OHA	Opioid STR	Report review	2019	5
ODHS/OHA	Medicaid	Return questioned costs	2019	5
ODEM	Disaster Grants	Subrecipient risk assessment	2020	4
DELCO/ODHS	Child Care and Development Fund	Payroll controls	2020	4

The TANF program has an unresolved audit finding originating in fiscal year 2010. Auditors found TANF data reports required to be submitted to the federal agency do not accurately reflect case status and activity of the reporting period. Since the implementation of a new system, reporting errors have increased, but agency management has made efforts and worked with their vendor to resolve system errors to ensure proper reporting from the new system in the future. However, fixing the data issues has not been prioritized by the service provider of the new system.

Medicaid’s provider eligibility finding, originating in 2012, includes provider eligibility determination not fully supported with required documentation. Progress has been made with the implementation of updated applications, procedures, and policies.

The Child Care and Development Fund finding, originating in 2014, has repeatedly identified errors in copay amounts and authorized child care hours. The errors primarily resulted from human error when

entering information for the calculations. After implementation of a new system, the amounts are calculated automatically, but errors have still been identified due to incorrect inputs.

Since the finding was identified in 2017, Oregon Department of Fish and Wildlife has acquired a new Asset Management system, and during fiscal year 2023 concluded entering historical land records into the system. During fiscal year 2024, regional managers will be making site inspections of each plot to ensure the property is being used accordingly. The goal is to have this finding resolved by the end of fiscal year 2024.

It is the responsibility of the federal granting agency to follow up with state agencies on findings included in the Single Audit Report. After investigating, the federal agency issues a determination letter to the state agency, providing its conclusion about the finding and the corrective action the state agency plans to take to resolve the finding. Generally, the determination letters uphold our findings, reinforce our recommendations, and request action from the state agency. Sometimes the federal agency imposes a sanction upon the state or adjusts future funding to correct the issue. Occasionally, the federal agency will clarify a requirement in favor of the state agency and the finding is no longer valid. Only federal agencies have the authority to enforce their grant requirements.

Glossary of Terms

Adverse Opinion: The type of audit opinion given when audit procedures identify pervasive weaknesses in a department or program's internal controls such that it will not prevent or detect significant noncompliance or financial material misstatements.

Asset: A resource with economic value that the government owns or controls with the expectation it will provide future benefit.

Annual Financial Report: The government entity's official annual report that includes financial statements designed to report the financial position and results of operations of the primary government (including its blended component units) and provide an overview of the discretely presented component units.

Determination Letter: Letter written by the federal awarding agency in response to single audit findings. This letter provides their conclusions about the findings and the actions the state agency plans to take to resolve the findings.

Disclaimer of Opinion: The type of audit opinion given when audit procedures result in a lack of sufficient, appropriate audit evidence to support an opinion on financial statements or program compliance.

Error: A mistake in an accounting entry that was not intentional.

Expenditure: Designates the cost of goods delivered or services rendered, whether paid or unpaid.

Federal Expenditure: Charges made by a non-Federal entity to a project or program for which a Federal award was received.

Generally Accepted Accounting Principles (GAAP): A combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information.

Government Auditing Standards: The professional standards and guidance issued by the Comptroller General of the United States that provide the framework for conducting high quality audits of governmental entities.

Internal Controls: Methods put in place by management to ensure the integrity of financial and accounting information and regulatory compliance.

Liability: Legal debts or obligations between one party and another not yet completed or paid for, defined by previous business transactions, events, sales, exchange of assets or services, or anything that would provide economic benefit at a later date.

Material: The auditor's determination of materiality is a matter of professional judgment. It is affected by the auditor's perception of the needs of the users of the financial statements, or in the case of a federal compliance audit, on the needs of the users of the report on compliance with a federal program. Judgments about materiality involve both qualitative and quantitative considerations.

Qualified Opinion: The type of audit opinion given when audit procedures identify a department or program's internal controls are inadequate to prevent or detect significant noncompliance or financial material misstatements.

Questioned Cost: A cost questioned by the auditor for violation of federal award provisions, or lack of supporting documentation, or because the cost appears unreasonable.

Revenue: Income received or earned during a specific period.

Statement of Activities: Required basic financial statement that shows the financial results of the year's activities. The statement of activities presents revenues less expenditures to show net position.

Statement of Net Position: Required basic financial statement that shows the balance of the assets, liabilities, deferrals, and net position at June 30.

Subrecipient: An entity that receives federal funds from the state to carry out a federal program.

Unmodified Opinion: The type of audit opinion given when the financial statements, as corrected, are fairly presented in conformance with GAAP.

About the Report

Report team

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ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.



**Oregon Secretary of State
Audits Division**

Secretary of State **LaVonne Griffin-Valade**
Audits Director **Kip R. Memmott**

This report is intended to promote the best possible
management of public resources.

Copies may be obtained from:

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sos.oregon.gov/audits