

The background of the cover features a photograph of the Oregon State Capitol building, a large neoclassical structure with a prominent dome topped by a statue. In the foreground, there is a modern, angular fountain with multiple water jets. The scene is set outdoors with green lawns and some trees, including a large pink flowering tree on the right. A dark blue semi-transparent overlay covers the right half of the image.

Fiscal Year 2024

Keeping Oregon Accountable

May 2025

Report 2025-16



Oregon
Secretary of State

Letter from the Secretary of State

I am pleased to release the Fiscal Year 2024 Keeping Oregon Accountable Report. The purpose of this report is to ensure that Oregonians' hard-earned tax dollars are being tracked properly. This is a key accountability tool for our state.

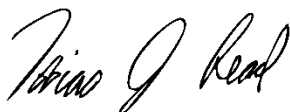
The Secretary of State Audits Division financial team is comprised of seasoned professionals who work with the largest agencies in the State of Oregon to make sure Oregon's finances are in order. These financial auditors look at state financial transactions, evaluate the controls agencies apply to ensure accurate financial information, offer recommendations for improved accounting, and present their professional opinion about the accuracy of the state's financial statements. Our annual financial and federal compliance audits provide the State with information about the completeness, accuracy and validity of the state's accounting information.

This report summarizes the magnitude of funds reported in the State of Oregon's financial statements. The management of each state agency is responsible for ensuring that Oregon's financial information is complete and accurate. Our job, at the Secretary of State's office, is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and issue the auditor's opinion.

At a time of increased uncertainty and volatility at the federal level, it's even more important for Oregon to have a full accounting of our finances. Oregon receives significant federal funding, which is also reviewed in this report for compliance with federal rules and regulations. The last few years have brought an influx of federal dollars to the state due to special funding and new programs spurred by COVID-19; but many of the programs are phasing out, likely decreasing the amount of federal money Oregon will receive over the next few years. The audit work performed over these selected federal programs helps ensure that going forward Oregon will continue to receive Federal funding for which we are eligible.

Oregon benefitted from robust General Fund growth in recent years. As State Treasurer for eight years, I know the ebbs and flows of markets all too well. While it is difficult to predict when the next recession will occur, we do know with certainty that recessions and a resulting drop in tax revenues will occur at some point in the not-so-distant future. These may even be accelerated by shifting federal financial policies. It is important for Oregon to keep a close eye on every dollar, build healthy reserves in order to anticipate and reduce the impact that vulnerable Oregonians will experience during the next downturn, and ensure a complete, accurate and valid accounting of the state's finances.

I commend this report and its assessments to the attention of decisionmakers and all Oregonians.



Tobias Read

Oregon Secretary of State



Audit Summary

Fiscal Year 2024

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 2024, which went from July 1, 2023, to June 30, 2024.

Audit of the State of Oregon's financial statements

We issued an unmodified opinion (clean) on the state's financial statements for fiscal year 2024.

We identified \$1.8 billion in accounting errors (unintentional mistakes) and proposed adjustments to correct them in the financial statements.

We issued eight significant deficiencies and no material weaknesses 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 21 federal programs at 12 agencies and issued 35 findings and recommendations.

The state expended more than \$20.7 billion in federal funds, including over \$1.5 billion in COVID-related funding.

We questioned whether \$5.5 million (known and likely) in expenditures were appropriately paid with federal funds. Questioned costs are program costs that may, or may not, be allowed to be paid with federal funds.

We issued qualified opinions on the Block Grants for Community Mental Health Services and the Block Grants for Prevention and Treatment of Substance Abuse programs. Qualified opinions indicate the internal controls are inadequate to prevent or detect significant noncompliance in a timely manner.

We followed up on 72 findings from the prior three years at 11 agencies to see if corrective action had been taken. We follow up on outstanding findings to determine whether an agency has reported the status appropriately.

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.

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 2024 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.

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.

The annual financial report (financial statements) provides 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.

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.

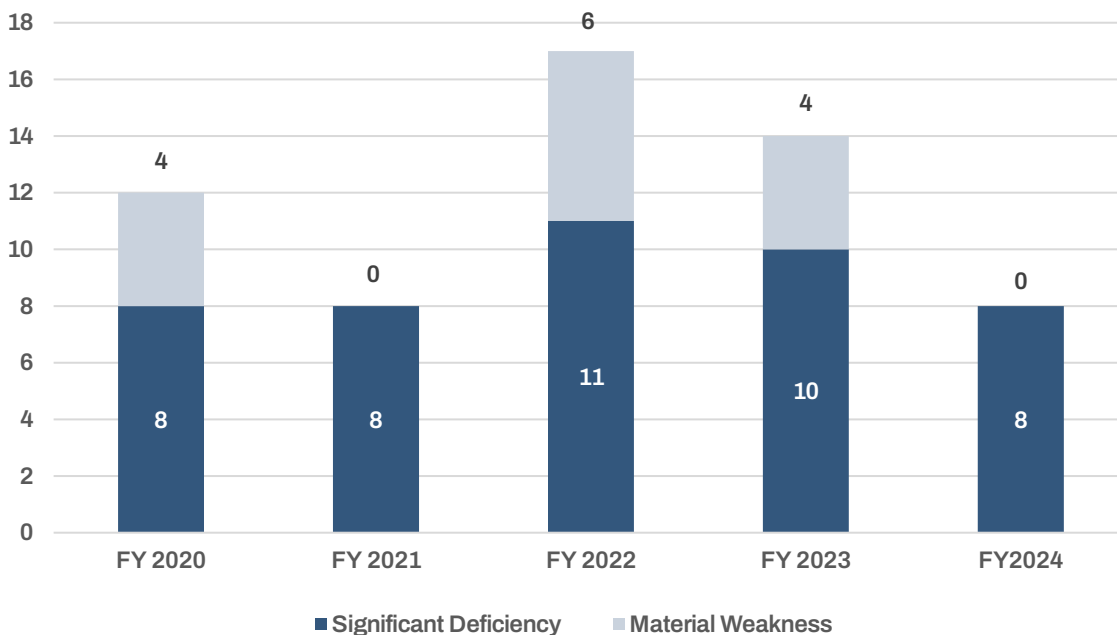
Fiscal year 2024 results

We issued an unmodified opinion on the state's financial statements for fiscal year 2024, 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 26 state agencies. During the course of our audit, we reviewed assets of \$50 billion, liabilities of \$25 billion, revenues of \$45 billion, and expenditures of \$43 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 eight findings across eight 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: a significant deficiency or material weakness. A material weakness is more severe and more likely to have an impact on the financial statements. We did not identify any deficiencies that we consider to be material weaknesses in fiscal year 2024.

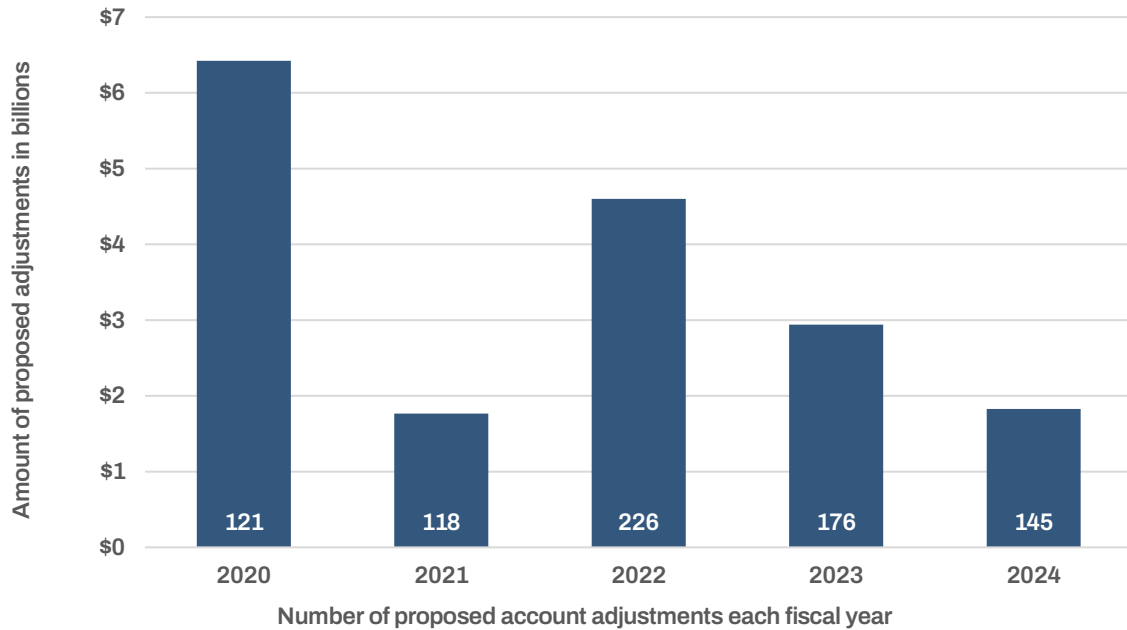
Figure 1: The number of material weaknesses identified varies from year to year



Audit adjustments are proposed if identified as more than trivial, a threshold set by the auditors relevant to the amounts reported in the financial statements. When errors are identified that exceed the trivial threshold, we propose adjustments to correct the account balance. We proposed audit adjustments to correct accounting errors and estimates in the state’s financial statements. Estimate corrections are necessary when estimated amounts differ significantly from actuals. For example, an agency may record the current portion of taxes receivable by estimating taxes to be collected within the 90-day period after the end of the fiscal year. If the estimate is not materially accurate, an audit adjustment is proposed to correct the account. Four of the largest adjustments, accounting for 44% of the audit adjustments made for FY24, were estimation errors. The proposed audit adjustments are used to improve the accuracy of the financial statements.

Accounting errors can occur several ways. An agency might not record a transaction, may use incorrect account coding, or may simply make a typographical error when entering information in the accounting system. The result can be 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. The latter type of error is more frequent when changes to accounting regulations occur.

Figure 2: The dollar amount of adjustments decreased in fiscal year 2024



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.

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. Nine financial findings from prior years were corrected in 2024. While 14 prior year findings remain outstanding, the agencies have made progress toward addressing the recommendations.

Figure 3: Fiscal year 2024 saw fewer financial findings corrected

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total prior year findings reviewed	16	17	15	22	23
Prior year findings, not resolved	7	7	5	10	14
Prior year findings, corrected	9	10	10	12	9
Rate of corrections	56%	59%	67%	55%	39%

Statewide Single Audit

Oregon receives and expends federal dollars annually through grant agreements with federal agencies; in fiscal year 2024, this totaled \$20.7 billion, about 40% of total state expenditures. Agencies receiving the funds are required to comply with various federal requirements for the administration of the programs.

The Oregon Secretary of State 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 provides responses on whether they agree with each finding and what actions they plan to take to address the auditor's recommendations. 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.

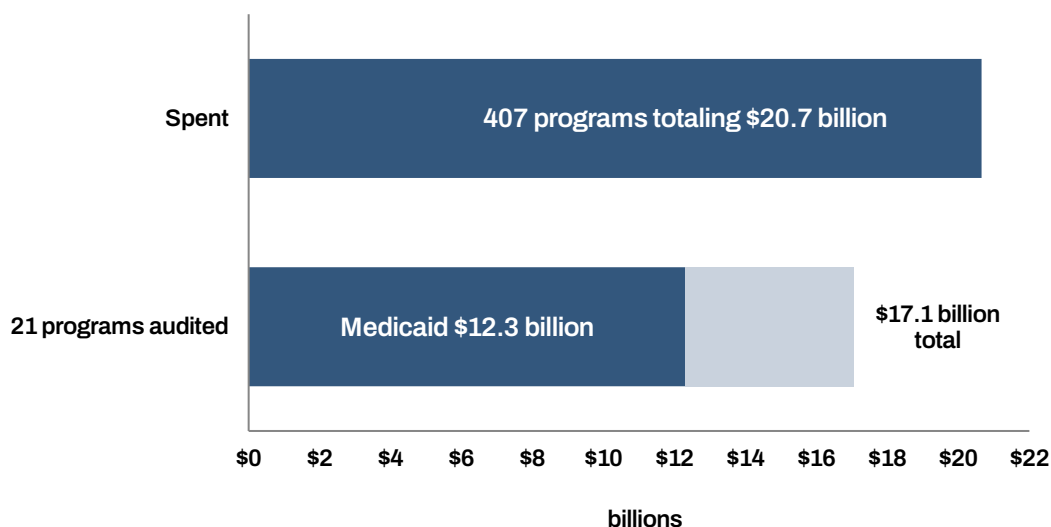
The federal Office of Management and Budget (OMB) develops nationwide rules for performing federal compliance audits. OMB provides rigid instructions for determining which programs to audit and the specific audit procedures to perform to ensure the state is complying with federal requirements when administering 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 2024 federal expenditures

In fiscal year 2024, the State of Oregon spent \$20.7 billion in federal funds across 407 federal programs administered by 43 state agencies. Adhering to OMB requirements to select programs based on expenditures and risk, we audited 21 major programs for compliance with federal requirements.

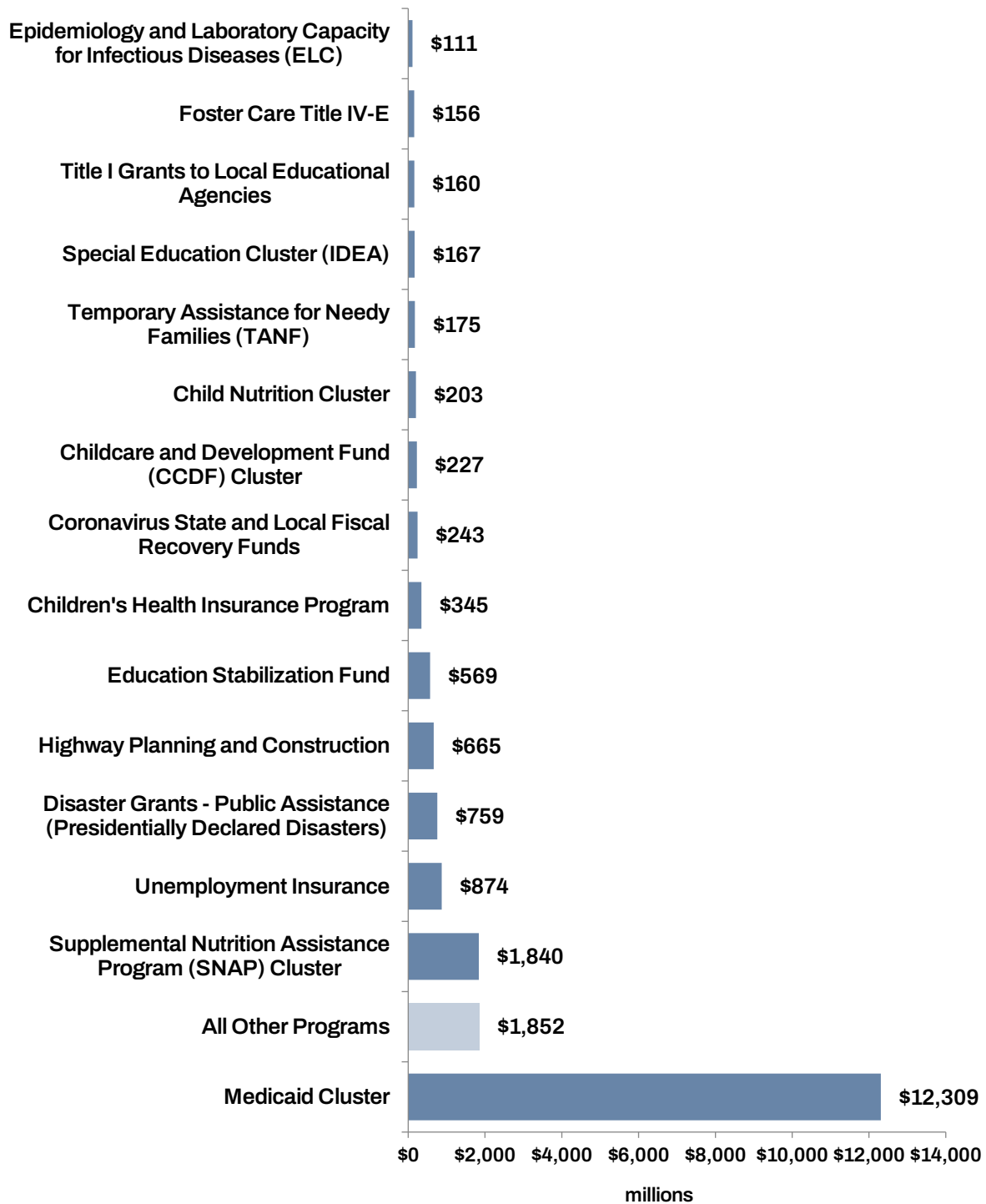
The audited programs accounted for \$17.1 billion, or 83%, of the \$20.7 billion spent in fiscal year 2024. Medicaid is the single largest program; it alone accounts for \$12.3 billion in federal funds spent by the state.

Figure 4: We audited 83% of fiscal year 2024 single audit expenditures (in billions)



Of the 407 federal programs administered by the State of Oregon in fiscal year 2024, 15 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. The "All Other Programs" category combines the other 392 federal programs, each with expenditures less than \$100 million.

Figure 5: Medicaid and SNAP expenditures far exceed expenditures of other programs, fiscal year 2024 (in millions)



Fiscal year 2024 Statewide Single Audit results

We audited 21 federal programs administered by the State of Oregon (some programs across multiple agencies). We audited seven programs at Oregon Department of Human Services, six programs at Oregon Health Authority, four programs at the Oregon Department of Education, two programs at the Oregon Business Development Department, and two programs at the Oregon Housing and Community Services Department. Programs were also audited at the Department of Administrative Services, Oregon Department of Justice, Oregon Department of Emergency Management, Oregon Military Department, Oregon Department of Veterans' Affairs, Higher Education Coordinating Commission, and Oregon Commission for the Blind.

Figure 6: We audited 21 programs expending \$17.1 billion in federal funds for fiscal year 2024

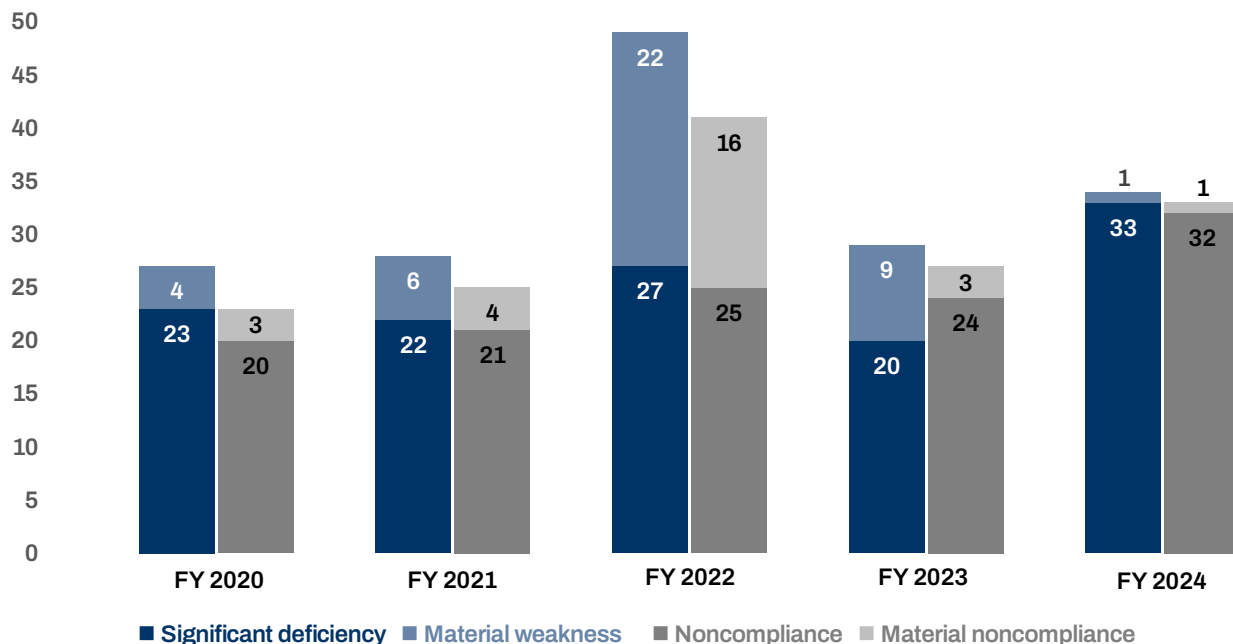
Federal Program	2024 Findings	Federal Program Expenditures
Medicaid Cluster	9	\$12,309,071,877
Supplemental Nutrition Assistance Program (SNAP)	0	1,839,862,204
Disaster Grants - Public Assistance	2	758,727,802
Education Stabilization Fund (ESF)	0	569,350,591
Coronavirus State and Local Fiscal Recovery Fund (SLFRF)	2	242,856,554
Child Nutrition Cluster	1	202,884,213
Special Education Cluster (IDEA)	1	166,587,321
Temporary Assistance for Needy Families (TANF)	5	175,052,567
Title I Grants to Local Educational Agencies	0	159,737,050
Foster Care Title IV-E	1	155,591,470
Child Support Enforcement	1	73,516,127
Rehabilitation Services Vocational Rehabilitation Grants to States	2	73,896,711
National Guard Military Operations and Maintenance (O&M) Projects	2	67,694,212
Low-Income Home Energy Assistance (LIHEAP)	1	56,120,806
Summer Electronic Benefit Transfer Program for Children	0	38,540,288
Community Development Block Grants (CDBG)	3	37,561,838
Veterans State Nursing Home Care	1	33,632,913
Block Grants for Community Mental Health Services (MHBG)	2	26,909,813
Block Grants for Prevention and Treatment of Substance Abuse (SABG)	3	25,027,490
Opioid STR	1	18,365,655
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	1	19,657,892
	38	\$ 17,050,645,394

One finding is shared with MHBG and SABG and was counted twice. One finding is shared with MHBG, SABG and Opioid and counted three times.

We reported 35 findings to 10 of these agencies with recommendations to improve controls over compliance relevant to each program; the findings also include the level of noncompliance identified. Similar to our audit of the annual financial report, the type of internal 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. Federal program findings are reported as a significant deficiency or material weakness in internal control over compliance, and most findings also report noncompliance or material noncompliance. Occasionally, a finding will only be related to compliance, with no related internal control over compliance deficiency identified.

Figure 7: Material Weaknesses and Material Noncompliance have decreased since fiscal year 2022



Findings are generally identified as significant deficiency or material weakness in internal control over compliance as well as noncompliance or material noncompliance. Some findings may only report a deficiency in internal control over compliance, and occasionally may only report noncompliance.

In relation to the findings, we also questioned whether Oregon’s spending of \$5,454,463 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.

We questioned \$221 thousand in directly identifiable costs and another \$5.5 million in projected (likely) errors based on our sample testing. The Temporary Assistance for Needy Families program at the Oregon Department of Human Services had the largest amount of questioned costs: \$4.9 million in known and likely errors. Questioned costs were primarily due to errors within eligibility compliance, which ensures only those individuals meeting the program requirements are receiving benefits.

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.

For fiscal year 2024, we issued modified opinions for the Block Grants for Prevention and Treatment of Substance Abuse and the Block Grants for Community Mental Health Services Programs. Both programs have had qualified opinions every year since 2022. This year had the fewest modified opinions since 2021.

Figure 8: Modified Opinions issued fiscal years 2020 through 2024

Program	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Emergency Solutions Grant			Disclaimer	Disclaimer	
Temporary Assistance for Needy Families	Qualified	Qualified	Qualified	Qualified	
Low-Income Home Energy Assistance Program		Qualified	Qualified	Qualified	
Block Grants for Community Mental Health Services			Qualified	Qualified	Qualified
Block Grants for Prevention and Treatment of Substance Abuse			Qualified	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	2	5	6	2
Adverse Opinions	0	0	1	0	0
Disclaimer of Opinion	0	0	1	1	0

Modified opinions include the following: 1) Qualified: internal controls are inadequate to prevent or detect significant noncompliance; 2) Adverse: pervasive weaknesses in a program's internal controls such that it will not prevent or detect significant noncompliance; 3) Disclaimer: lack of sufficient, appropriate audit evidence to support an opinion on program compliance.

Blank spaces indicate the program was either not required to be audited or received an unmodified opinion.

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 9 illustrates compliance requirements with findings for the past five years. Totals by category indicate which requirements are most problematic for Oregon.

Figure 9: Findings history by type of compliance requirement

Compliance requirement	2020	2021	2022	2023	2024
Allowable Activities and Costs	6+	4+	16+	9+	6+
Cash Management			2	1	
Eligibility	5+		3+	2+	5+
Equipment	1	1	1	1+	
Matching, LOE, Earmarking	2+	4+	3	2+	0+
Period of Performance	2	1	2	1+	3
Procurement and Suspension and Debarment			2	1+	

Compliance requirement	2020	2021	2022	2023	2024
Reporting	5	7	9	7+	11
Subrecipient Monitoring	2	5+	6	2	4
Special Tests	5+	7	6	5+	6+
Total findings	28	29	50	31	35

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

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 72 federal compliance findings that remained uncorrected from prior years and found agencies had corrected 35 of them. One additional finding did not warrant further action. However, 36 prior year findings will continue into fiscal year 2025 because they remain uncorrected.

Figure 10 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 2024 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 10: History of ongoing findings

Agency	Program	Finding Summary	Origination Year	Years Ongoing
ODHS	Temporary Assistance for Needy Families	Accurate reports	2010	15
ODHS/OHA	Medicaid	Provider eligibility	2012	13
DELC/ODHS	Child Care and Development Fund	Incorrect copays	2014	11
ODHS	Temporary Assistance for Needy Families	Accurate report calculations	2019	6
OHA	Opioid STR	Subrecipient monitoring	2019	6
OHA	Opioid STR	Report review	2019	6
DELC/ODHS	Child Care and Development Fund	Payroll controls	2020	5
ODHS	Temporary Assistance for Needy Families	Eligibility controls	2021	4

The TANF program has an unresolved audit finding originating in fiscal year 2010. Over the years, auditors found TANF data reports required to be submitted to the federal agency did not accurately reflect case status and activity of the reporting period. Additionally, reporting errors increased after the implementation of a new case management system in fiscal year 2021. In the following years, 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, while auditors noted an overall improvement in the accuracy and completeness of the data reported, issues still exist requiring agency management's attention.

Medicaid's provider eligibility finding, originating in 2012, found provider eligibility determinations are 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 co-pay amounts and authorized childcare 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.

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. 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.

About the Report

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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 Secretary of State has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.



Secretary of State Tobias Read
Audits Director Steve Bergmann

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

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