Secretary of State
Oregon Audits Division

Fiscal Year 2018
Statewide Single Audit Report

March 2019
Report 2019-14

Acting Secretary of State Leslie Cummings, Ph.D.
Audits Division Director Kip Memmott

Office of the Secretary of State

Leslie Cummings, Ph.D.
Acting Secretary of State

Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol Street NE, Suite 500
Salem, OR 97310

(503) 986-2255

The Honorable Kate Brown
Governor of Oregon

We have conducted a statewide audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This report encompasses the year ended June 30, 2018, and is required for the State to continue receiving federal financial assistance, which, as shown in this report, totals approximately $11.6 billion.

As required by the Single Audit Act, we issued a report dated December 19, 2018, on the State of Oregon's financial statements. That report was included in the State of Oregon's *Comprehensive Annual Financial Report* for the year ended June 30, 2018.

This report contains components required by the Single Audit Act to be reported by the auditor:

- *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with provisions of laws, regulations, contracts and grant agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.

- *Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.* This component contains our report on the State of Oregon's compliance with the requirements applicable to each of its major federal programs as described in the OMB Compliance Supplement and internal controls over compliance. Part of the schedule of findings and questioned costs relates to this report. This component also contains our report on the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2018.

- *Schedule of Findings and Questioned Costs.* This schedule lists seven current year audit findings regarding internal control related to financial reporting. It also lists 29 current year audit findings regarding compliance with the requirements of major federal programs and related internal controls.

  Uniform Guidance requires management to provide a plan of corrective action on the findings and recommendations for the fiscal year ended June 30, 2018. Management's response and planned corrective actions are included in this schedule. We did not audit management's response, and accordingly, we express no opinion on it.

This report also contains components required by the Single Audit Act to be reported by the State of Oregon:

- *Schedule of Expenditures of Federal Awards.* This schedule is not a required part of the State of Oregon's financial statements, but is required by Uniform Guidance. The schedule shows the State of Oregon's expenditures of federal awards, for the fiscal year ended June 30, 2018, excluding Oregon State University, Oregon Health and Science University, University of Oregon, Portland State University, Western Oregon University, Southern Oregon University, Oregon Institute of Technology, and Eastern Oregon University. The notes, which accompany the schedule, are considered an integral part of the schedule. They provide disclosures regarding the basis of presentation used in preparing the schedule, the reporting entity, the value of federal awards expended in the form of non-cash assistance, unemployment insurance and the calculation of expenditures for Revolving Loan Fund (RLF, CFDA 11.307).

- *Schedule of Prior Year Findings.* This schedule lists the current status of prior year findings that remained uncorrected at the end of fiscal year 2017.

We concluded that the state's financial statements are fairly presented in conformance with Generally Accepted Accounting Principles, resulting in an unmodified opinion. We issued a qualified opinion on one federal program, and unmodified opinions on all other major federal programs.

The courtesies and cooperation extended by officials and employees of the State of Oregon during the course of this audit were commendable and sincerely appreciated.

Office of the Secretary of State, Audits Division

State of Oregon

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Office of the Secretary of State

Leslie Cummings, Ph.D.
Acting Secretary of State

Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol Street NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Kate Brown
Governor of Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements, and have issued our report thereon dated December 19, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Common School Fund and the Public Employees Retirement System, as described in our report on the State of Oregon's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Other auditors also audited the financial statements of the following discretely presented component units: SAIF Corporation, University of Oregon, Oregon State University, Portland State University, Western Oregon University, and Oregon Health and Science University, as described in our report on the State of Oregon's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-006, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-003 through 2018-005, and 2018-007, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State of Oregon's Response to Findings

The State of Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Secretary of State, Audits Division

State of Oregon
December 19, 2018

Office of the Secretary of State

Leslie Cummings, Ph.D.
Acting Secretary of State

Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol Street NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Kate Brown
Governor of Oregon

Report on Compliance for Each Major Federal Program

We have audited the State of Oregon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Oregon's major federal programs for the year ended June 30, 2018. The State of Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The State of Oregon's basic financial statements include the operations of the universities in the table below, which expended approximately $1,424 million in federal awards, which are not included in the State of Oregon's schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the universities because the component units engaged other auditors to perform an audit of compliance. To obtain a copy of those reports, please refer to note disclosure 1 of the schedule of expenditures of federal awards.

Component Unit	Federal Expenditures
Oregon State University	$ 422 million
Oregon Health and Science University	$ 363 million
University of Oregon	$ 289 million
Portland State University	$ 210 million
Western Oregon University	$ 50 million
Southern Oregon University	$ 40 million
Oregon Institute of Technology	$ 26 million
Eastern Oregon University	$ 24 million

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and*

Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State of Oregon's compliance.

Basis for Qualified Opinion on Temporary Assistance for Needy Families (TANF)

As described in the accompanying schedule of findings and questioned costs, the State of Oregon did not comply with requirements as listed in the table below. Compliance with such requirements is necessary, in our opinion, for the State of Oregon to comply with the requirements applicable to that program.

CFDA #	Program (or Cluster) Name	Finding #	Compliance Requirement
93.558	Temporary Assistance for Needy Families (TANF)	2018-008	Reporting
		2018-009	Eligibility
		2018-010	Allowable Costs/Cost Principles
		2018-011	Eligibility

Qualified Opinion on Temporary Assistance for Needy Families (TANF)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Temporary Assistance for Needy Families (TANF) for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-012, 2018-015 through 2018-018, 2018-022 through 2018-025, and 2018-028 through 2018-036. Our opinion on each major federal program is not modified with respect to these matters.

The State of Oregon's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the State of Oregon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-008, 2018-013 and 2018-014 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-009 through 2018-011, and 2018-015 through 2018-036 to be significant deficiencies.

The State of Oregon's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements. We issued our report thereon dated December 19, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Office of the Secretary of State, Audits Division

State of Oregon

March 11, 2019, except for our report on the Schedule of
Expenditures of Federal Awards, for which the date is December 19, 2018

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	☒ yes ☐ no
Significant deficiencies identified that are not considered to be material weaknesses?	☒ yes ☐ none reported
Noncompliance material to financial statements noted?	☐ yes ☒ no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	☒ yes ☐ no
Significant deficiencies identified that are not considered to be material weaknesses?	☒ yes ☐ none reported
Type of auditor's report issued on compliance for major programs:	Qualified: TANF Cluster Unmodified: All Other Major Programs
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☒ yes ☐ no

<u>Identification of Major Programs</u>

CFDA#	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program (CACFP)
17.225	Unemployment Insurance
66.605	Performance Partnership Grants
84.010	Title I Grants to Local Educational Agencies
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.658	Foster Care – Title IV-E
cluster	Supplemental Nutrition Assistance Program (SNAP) Cluster
cluster	Child Nutrition Cluster
cluster	Employment Service Cluster
cluster	Workforce Innovation and Opportunity Act (WIOA) Cluster
cluster	Special Education Cluster (IDEA)
cluster	Temporary Assistance for Needy Families (TANF) Cluster
cluster	Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs: $30,000,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

Management Response and Corrective Action Plans were not subjected to auditing procedures.

2018-001 Department of Human Services/Oregon Health Authority
<u>Implement Appropriate Year-End Methodologies</u>
Material Weakness

State accounting polices require management to develop control activities to ensure that transactions entered in the state's accounting system are properly calculated and properly classified in the accounts.

During our review, we found year-end account balances that were calculated based on methodologies adopted with an incomplete understanding of program revenue and expenditure relationships, and included amounts provided by other entities. With a better understanding of program transactions, year-end balances can be appropriately calculated. The incomplete methodology resulted in the following errors:

- Accounts Payable and Special Payments were understated by $63.5 million while Due to Component Units and Special Payments were overstated by $77.3 million, resulting in net overstatement of payables to other entities and expenditures of $13.8 million; and
- Accounts Receivable and Federal Revenue were understated by $14.7 million while Due from Component Units and Other Revenue were overstated by $49.6 million, resulting in net overstatement of receivables from other entities and revenues of $34.9 million.

In another instance, adjusting entries related to accounts receivable to report appropriate amounts in the General Fund and Health and Social Services fund were also not complete. The entries did not include additional adjustments that were necessary to properly report expenditures and amounts due between each of the funds. This error resulted in an understatement of expenditures and Due to Other Funds in the General Fund and an overstatement of expenditures and understatement of Due From Other Funds in the Health and Social Services Fund of $14 million.

We recommend management ensure year-end reporting methodologies reflect a complete understanding of transaction relationships as well as proper application of amounts provided by other entities.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

Corrective Action: The Office of Financial Services has updated year-end close procedures to ensure accounts receivable and offsetting entries are complete. We are also updating methodologies to ensure new program revenue and expenditures are understood and reported appropriately including those provided by other entities.

Anticipated Completion Date: March 31, 2019.

2018-002 Oregon Health Authority
<u>Improve Controls for Monitoring MMIS Claims Edits and Audits</u>
Material Weakness

Management is responsible for ensuring internal controls are adequate to provide reasonable assurance that transactions are accurate, properly recorded, and executed in accordance with management's objectives. Oregon Health Authority (OHA) management relies on the Medicaid Management Information System (MMIS), which processed over $7.2 billion in paid claims during fiscal year 2018, as its key control for ensuring accurate and properly recorded Medicaid payments.

System claims edits and audits are generally maintained by OHA's service provider, and are in place to ensure that claims adhere to program rules before payments are processed. System edits review a claim for information such as format, consistency, and reasonableness. System audits review a claim against historical information to perform activities such as verifying provider and recipient eligibility, preventing payments for duplicate services, and ensuring service limits are not exceeded.

The department does not maintain a comprehensive inventory of currently operating MMIS claims edits and audits. The department was unable to provide a comprehensive inventory of claims edits and audits active and effective during the fiscal year until they conferred with their service provider. Many edits and audits are configurable by the department, and include turning them off or on, changing effective dates, modifying eligibility rules, or modifying fields that have already been established by the service provider. Management does not monitor configuration changes to edits and audits made by OHA personnel and does not have monitoring controls in place to provide assurance that unauthorized changes are not made to the system. In addition, OHA does not perform regular testing of edits and audits to ensure the effectiveness and completeness of those controls. Lastly, as department staff could not definitively identify when or how a selected edit should be triggered, we could not complete testing to determine if the edit was functioning correctly.

Having a strategic framework and thorough understanding of these controls, including what they do and when they trigger, is critical for ensuring accurate and properly recorded payments. OHA lacks the understanding and monitoring of the controls necessary to ensure accurate and properly recorded payments, potentially putting millions of taxpayer dollars at risk.

We recommend management implement monitoring processes to provide assurance over the accuracy of the MMIS claims edits and audits, as well as implement processes to understand the edits and audits controls and test their effectiveness and completeness. Additionally, management should continue to work with their service provider to maintain a comprehensive inventory of current MMIS edits and audits.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

Corrective Action: A comprehensive inventory of MMIS claims edits has been compiled. To proactively test the effectiveness and completeness of those controls, the contractor will identify *the top 20% of edits for testing. The contractor will submit quarterly reports regarding the status and results of that testing. Implementing the testing plan requires CMS approval. OHA has submitted a contract amendment request to CMS to approve this plan to have our vendor help us identify and test edits to the MMIS.*

In addition, OHA's MMIS Business Support Unit will develop a plan and implement testing of the remaining 80% of the edits. That testing will also be reported out in the quarterly report.

The plan also involves use of an OPA3 in the MMIS Business Support Unit to do some testing of the other claims edits in MMIS. That testing will also be reported out in the quarterly deliverable.

Anticipated Completion Date: March 1, 2019

2018-003 Oregon Health Authority
Strengthen Review Controls for Contracts Recorded in Subsidiary System
Significant Deficiency

Management is responsible for establishing and maintaining internal controls to ensure payments are accurately and properly recorded. Oregon Health Authority (OHA) relies on program staff to enter contract details for addiction and mental health services into a contract database subsidiary system, referred to as R-base. These details ensure services are accurately identified and payments related to addiction and mental health services are paid appropriately from federal funds, general funds, lottery funds, or other funds. All contract details should be reviewed by the contracts unit and agreed to details entered into the subsidiary system. The department risks making improper and unsupported payments if contracts don't include the appropriate funding sources.

While reviewing the contract database subsidiary system expenditures, we noted contracts for several services were paid using a funding source different than the funding source noted in the contract; these errors were not detected during the department's review processes. However, we determined that the funding source used in the contract database was appropriate, and that the contracts should have been amended to reflect the correct information.

We recommend management strengthen the review of contracts to ensure the correct funding sources are included and that contracts and the subsidiary system agree.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

*Corrective Action: The Health Systems Division (HSD) Contracts unit has been working with the Office of Financial Services (OFS) to identify possible options to strengthen the coding and review processes for R*BASE contracts, thereby ensuring proper funds are used to make payments for contracted services. Prior to establishing measures to prevent similar occurrences in the future, the following steps were implemented immediately while other plans were prepared to provide long-term solutions and sound fiscal management going forward.*

- ***Implemented controller role to review contract codes (Complete).*** *HSD Contracts unit immediately assigned a dedicated Financial Analyst 3 responsible for conducting reviews of the coding on all requests and contracts.*
- ***FA3 review and code verification and signoff prior to contract approval (Complete).*** *This individual's signature line has been added to the contract request form, which is signed upon verification of proper contract coding and to confirm that funds identified in contracts are used by OFS when making contract payments.*
- ***Implementing tracking tool for contracts by fund type (Complete).*** *The HSD Contracts team developed a spend plan tracking spreadsheet to monitor contracted spend, by fund type, for all Community Mental Health and Addiction Treatment Program services. The amount budgeted for each fund type is monitored using a declining ledger balance, with line item detail for every contract issued for program services. This ensures that proper funds are available, for each fund type to be used for payment, at the time of contracting.*
- ***Implement changes to strengthen controls for contracts recorded in subsidiary system (R*BASE) (In-Process)*** *HSD Contracts worked directly with OFS to determine how to improve the current process in a way that addresses the audit finding, long-term, and what that would require for both teams. This began by reviewing the source documents that were the subject of the written findings by the auditor.*

  We discovered that the contract language didn't line up in the County Financial Assistance Agreements (CFAAs or "contracts") with the Local Mental Health Authorities (LMHAs) and their corresponding Community Mental Health Programs (CMHPs). We located discrepancies between the fund numbers, the fund source description for each fund number, and the actual fund source used to make contract payments.

  Modifications were made to remedy each of the problems and, as a result, strengthen the controls for contracting for the long-term.

Anticipated Completion Date: July 1, 2019

2018-004 Oregon Health Authority
Strengthen Controls over Cost Recoveries
Significant Deficiency

Oregon Health Authority (OHA) management is responsible for ensuring internal controls are adequate to provide reasonable assurance that transactions are accurate and properly recorded. That same level of assurance is required for financial information provided to the department by other entities that provide services (service organizations) to the department.

For pharmaceutical cost recoveries, OHA relied on a service organization to collect, process, summarize, and provide revenue totaling $40 million to the department for fiscal year 2018. The department did not perform procedures to gain an understanding of controls performed by the service organization to ensure the service organization's procedures were adequate to collect, process, and remit cost recoveries to the department. Due to staff turnover, when the department received revenue from the service organization, the department did not conduct a reconciliation or other review to verify the revenue received agreed to amounts in the service organization's system. Without a reconciliation in place, the department has less assurance that revenues are reported correctly, and errors will be detected and corrected in a timely manner.

We recommend department management implement procedures to gain an understanding of controls over transactions processed by service organizations and follow established procedures to ensure all revenue due to the department is received.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

Corrective Action: CAREAssist program staff are actively working with contracted pharmacy benefit managers (PBM), Office of Contracts and Procurement, and Department of Justice to collect, process, summarize, and remit revenue currently owed to program. To ensure the procedures to collect, process and remit cost recoveries from PBMs to the program, CAREAssist is in process of implementing the following process improvements:

- *Developing and updating policies and procedure documents pertaining to the collection, process, and summarization and analysis of program income.*
- *Creating an accounts receivable (AR) model in Excel to track amounts owed to the Program by the seven contract pharmacies for insurance claim reimbursements.*
- *Downloading all invoiced claims into a secured portal to add to the AR model.*
- *Evaluating amounts due from each PBM on a bi-weekly basis and following up using collection procedures for any that are past due.*
- *Posting payments daily into the AR model.*
- *Evaluating, reconciling, and summarizing revenue to determine budget versus actual on a weekly basis.*

Anticipated Completion Date: May 1, 2019

2018-005 Department of Administrative Services
<u>Buildings' Estimated Useful Lives Not Reviewed in Accordance with Policy</u>
Significant Deficiency

Governmental Accounting Standards require capital assets be depreciated over the estimated number of years the assets will provide services, or its "useful life." Depreciation aims at allocating costs to benefiting periods in proportion to the benefit received each period. The objective is to properly state the value of capital assets on the balance sheet and not have capital assets that are fully depreciated while still in service.

It is important that management perform a periodic review over the reasonableness of the estimated useful lives assigned to each of its building and building improvements to ensure they do not become fully depreciated while still in service. Since a change in estimate needs to be made prospectively, the earlier management is alerted to changes in the useful life of its buildings, the more latitude management has to adjust its capital asset records and depreciation amounts to accurately reflect the value of its assets.

Effective June 30, 2016, department policy requires the Planning and Construction Management program to review all DAS-owned buildings and estimate their current useful life during the months of October and November following the end of a biennium. Any changes to useful lives are to be discussed and approved by the Capital Project Funds Review Committee at its December meeting.

The Planning and Construction Management program did not perform the review after June 30, 2017, as required by department policy. Management stated "a review of all DAS-owned buildings to determine the current useful life of the buildings will be both costly and time consuming." As a result, management does not have complete information to fully comply with Government Accounting Standards.

We recommend the Planning and Construction Management program review the useful lives of buildings and building improvements in accordance with department policy.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
DAS agrees with the recommendation.

Enterprise Asset Management (EAM) has drafted a revised policy that, in part, readdresses the methodology it will use to more efficiently state DAS' capital assets' balance sheet values. Revised policy number 107-03-140 sets forth that EAM members of the Capital Projects Fund Oversight Committee (CPFOC) will, every four years by December of an odd numbered year in which a legislative session takes place and as part of its capital planning process, reassess the useful life of all portfolio assets that are 75% or more depreciated. In making this assessment, the CPFOC will utilize industry standards and metrics, relevance to statewide need and demand for a given asset as well as its collective professional judgement in making its determinations and in concert with CFO-mandated guidelines. The full CPFOC, inclusive of DAS' Shared Financial Services representatives, will formally discuss and approve any useful life changes at its December meeting of the same year. DAS' Shared Financial Services will then update the depreciation schedules accordingly. The policy will be finalized and take effect no later than March 1, 2019.

Anticipated Completion Date: March 1, 2019

2018-006 Oregon Business Development Department
<u>Continue to Improve Investment Financial Reporting Controls</u>
Material Weakness

The department is responsible for overseeing the Oregon Growth Account's investments in various limited partnerships. These investments are considered to be illiquid, high risk, and do not have a readily determinable value. The department is responsible for monitoring investment funds and should have sufficient information to evaluate the appropriateness of an investment's valuation. The department receives quarterly financial reports from investment managers, including annual audited statements for the majority of the investment funds. The expectation is that reviews are completed timely to ensure valuations are reasonable.

Based on our fiscal year 2018 audit, the department should continue to improve its accounting, financial reporting processes, and documentation of its review of the investments. Specifically, the department should ensure its quarterly review of investment funds, including valuations, is timely completed and sufficiently documented. In August 2018, we requested documentation of quarterly reviews completed for the quarters ended September 30, 2017, December 31, 2017, and March 31, 2018, and the department was unable to provide them until November 2018. The department also needs to correct and improve investment cost coding errors in the accounting system and ensure it is able to correctly track the balance of each investment fund. During our audit, we identified the following accounting errors related to investments:

- Over $14 million was incorrectly recorded as a reduction of investment cost instead of being recorded as investment income. This caused the investment balance for three investment funds to be recorded as a negative investment.
- An investment that ended during the year was not written off.
- The department did not record in the accounting system a transaction that impacted investment cost and investment income.

Some of the above errors are a result of the department not having a good understanding of how the various transactions should be coded in the accounting system. In addition, the spreadsheets the department uses to track each investment fund contains various errors and is not setup to allow the department to determine investment cost for each investment. This detail is also not available in the accounting system.

We recommend management

1. Ensure its review of each investment fund valuation, for financial reporting purposes, is timely completed and sufficiently documented.
2. Correct the errors identified in the accounting system and all errors in the department's tracking spreadsheets and set it up so the department can accurately track each investment's commitment, investment cost and distributions.
3. Establish policy and procedures to accurately track each investment's commitment, investment cost and distribution and that enables staff to correctly record the various investment-related transactions.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
OBDD acknowledges their general agreement with the audit finding and recommendations for areas of continual improvement.

1. *A third party portfolio management firm works with Business Oregon's Fiscal team and Oregon Growth Board's Capital Strategist to evaluate each investment's valuation. Business Oregon has written process and procedures for reviewing these investment valuations for financial reporting purposes on a quarterly basis. This is a work in progress for the department as we recently transitioned to a new portfolio management firm and are adjusting to a new and improved process, assuring that records are accurate and complete. As of June 30, 2018, Business Oregon is current in reviewing existing investment*

valuations and has documented those reviews. The September 30, 2018, review is currently in progress with an anticipated completion date of March 31, 2019.

2. *Business Oregon has taken the steps necessary to ensure internal tracking is accurate and complete. We generally agree with these findings of the audit and have made progress toward the following:*

   Business Oregon's Fiscal Management team directs and reviews all accounting entries made related to the OGA. Business Oregon worked directly with Secretary of State Auditors reviewing every investment to confirm accuracy of current entries and identify adjustments needed. Those adjustments are made within the tracking spreadsheet at Business Oregon, the portfolio management firm tracking report, as well as in the accounting system to ensure that prior fiscal year commitments, distributions, and investment costs are accurate. Corrections have been made to reflect changes in Fiscal Year 2018, and Business Oregon will work to ensure these consistent practices of accounting for investments' management fees, exited investments, investment cost, and income will be implemented and adhered to going forward. Anticipated completion date of June 30, 2019.

3. *Business Oregon will be establishing the policies and procedures to accurately and consistently record these accounting transactions. We generally agree with these findings of the audit and will work toward the following:*

   Due to the size and complexity of the portfolio, we will create policies and procedures to accurately record the investment accounting entries to provide a guide for staff to follow and ensure consistent practices are followed. Anticipated completion date of June 30, 2019.

2018-007 Oregon Business Development Department
Improve Year End Accrual Process
Significant Deficiency

The department distributes money to local school districts for seismic construction projects. To ensure distributions are recorded in the proper fiscal year, the department should have year-end accrual processes in place to accrue costs incurred during the year.

For construction projects, the distributions are made on a reimbursement basis throughout the course of a project. The department, however, does not have a process in place to accrue distributions for project costs incurred before fiscal year-end. As a result, distributions to local school districts were understated by about $2.5 million for fiscal year 2018.

We recommend department management implement adequate processes that ensure year-end accruals for expenditures are properly and timely recorded in the accounting records.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
OBDD acknowledges their general agreement with the audit finding and recommendations for areas of continual improvement.

Business Oregon will be establishing this internal process to accurately and consistently record these accounting transactions. We generally agree with these findings of the audit and will work toward the following:

> *Current process will be updated to ensure the department accrues non-federal grant reimbursements that are received during the month of July for each fiscal year, unless there is a clear indicator the expense was incurred in July. Anticipated completion date of March 31, 2019.*

Section III – Federal Awards Findings and Questioned Costs

Management Response and Corrective Action Plans were not subjected to auditing procedures.

2018-008 Department of Human Services
Improve Accuracy of Performance Data Reports

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (TANF) (93.558)
Federal Award Numbers and Year:	2017G996115; 2017, 2018G996115; 2018
Compliance Requirement:	Reporting
Type of Finding:	Material Weakness, Material Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 45 CFR 265.3(a)

Federal regulations require the department to collect monthly, and report quarterly, in the ACF-199 TANF data report certain non-financial data elements for services paid with TANF federal funding. Federal regulations also require the department to report data quarterly in the ACF-209 SSP-MOE data report, for TANF eligible clients whose benefits are paid with designated state funds called separate state program maintenance of effort. Both data reports should be supported by applicable performance records.

Prior to selecting sample items for testing the data reports, we reviewed fiscal year 2018 client federal expenditure data as it related to the data reports. We found, on average, that 4,100 cases each month with federal TANF expenditures were not included in the ACF-199 reports. We also found, on average, that 180 cases each month reported in the ACF-199 reports did not have corresponding federal TANF expenditures.

For data submitted in the fiscal year 2018 ACF-199 reports, we reviewed report line items identified as "key" by the U.S. Department of Health and Human Services. We reviewed a random sample of 32 cases and identified the following:

- Two cases were not included in the reports;
- Four cases where the federal countable months was incorrect;
- Six cases where clients were incorrectly counted as exempt from the federal time limit;
- One case where the client's date of birth was incorrect; and
- Eight cases where clients were incorrectly included as exempt from work participation requirements.

We also reviewed a random sample of 25 cases for data submitted in the ACF-209 quarterly reports and identified the following:

- Two cases where the type of family for work participation was inaccurate;

- Four cases where receipt of subsidized child care was incorrect;
- Two cases where relationship to head of household was incorrect; and
- One case where work participation status was inaccurate.

According to the department, these errors were due to errors in programming. The department reviews the report data for formatting, but not for accuracy. As the department is planning to implement a new eligibility system, they have suspended effort to address the data reporting errors in the current system.

This finding has been on-going since fiscal year 2010.

We recommend department management implement processes and procedures to ensure data reports accurately reflect case status and activity of the reporting period.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The Department agrees that the data populating the ACF-199 and ACF-209 reports need to be as accurate and complete as possible. The internal Federal Data Group will review and validate the 4,100 cases that were found to not be included each month in the ACF-199 reports. Once validated, the Department will submit a change request to correct this data. In addition, the Department is in the process of moving to a new computer system. There will be an additional review to the new eligibility system to assure accuracy in data reporting.

The ACF 199 and ACF 209 federal data reports have had findings for the last 10 years. The Department has reviewed, validated and corrected past findings. The TANF Federal Report is a complicated report and requirements for federal reporting has changed many times over the past 10 years. The Department has worked diligently to keep up with the changes in federal reporting, but the complexity of merging the various data sources together has created challenges.

Development of the more modernized system has given the Department the opportunity to enhance our ability to focus on data management and reporting. This is an important objective for the programs and will continue to be at the forefront of our work.

In the interim, the Department will put a review process into place focusing on data quality and catching errors within the older system until it is no longer in use. In addition to this, the Department is in the early stages of moving to a more mature data governance model, which will allow the program to mature the data management process.

Anticipated Completion Date: December 31, 2019

2018-009 Department of Human Services
<u>Failure to Conduct Re-determinations Results in Questioned Costs</u>

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (TANF) (93.558)
Federal Award Numbers and Year:	2017G996115; 2017, 2018G996115; 2018
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	$190,800 (known)

Criteria: 42 USC 602(a)(1)(B)(iii)

Federal regulations require states to document criteria for determination of eligibility to use federal TANF funds in an approved plan. The approved plan permits the department to provide emergency child welfare intervention services and requires annual re-determinations. The department uses its child welfare system, OR-Kids, to make client payments and track client eligibility information. The department's procedure is to re-determine eligibility for child welfare clients every twelve months to determine if an emergent need still exists. If the re-determination is not completed within 30 days of the review due date, emergency assistance is not authorized.

For fiscal year 2018, we randomly selected eight child welfare cases for testing and found the department did not perform the eligibility re-determination by the due date for one case. We performed further testing, and identified 39 additional clients where re-determinations were not conducted. Of these 40 cases, 23 received TANF benefits past their eligibility re-determination dates, resulting in questioned costs of $190,800 for fiscal year 2018.

These 40 errors were due to the following:

- For two cases, OR-Kids converted from the prior child welfare system and TANF eligibility was not closed correctly;
- For three cases, re-determinations were entered in OR-Kids, but never approved; and
- For the remaining 35 cases, the assigned staff inadvertently did not perform the re-determinations.

We recommend department management implement monitoring of eligibility re-determinations to ensure they are completed timely. We also recommend department management correct the identified cases and reimburse the federal agency for amounts claimed for ineligible cases.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Child Welfare Federal Policy and Resources (FPR) has reviewed the circumstances of each identified case and corrections will be coordinated by the central office FPR unit with branch eligibility staff.

FPR research found that eligibility caseloads in the branches with overdue determinations are higher than recommended, which led to missed and overdue work.

Action Plan: FPR will complete an analysis of statewide eligibility workloads to determine a new distribution of eligibility work. There are currently three vacant FRS positions. Once those positions are filled there will be bandwidth to redistribute workload from counties with increasing numbers of children in care.

FPR reviewed current business processes to identify gaps or barriers. FPR believes that the report EL 3015 Foster Care TANF & XIX Eligibility Status Summary functions as designed and that it continues to be an effective tool to manage TANF-EA workload. However, there are opportunities for enhancing the business processes for when and how to use data from that report.

Action Plan: To date, FPR has provided guidance for how to use the EL 3015 as a workload management tool. But going forward FPR will establish clear protocols and expectations for using the report and the resolution of outstanding conversion cases and overdue determinations. Additionally, FPR will establish an internal central office protocol for monthly data analysis of pending eligibility, timeliness of redetermination and fluctuations in eligibility rates. This data will be provided to field staff and managers monthly.

OR-Kids system enhancements have been pending since before findings like these were made in 2014. The EL 3015 Foster Care TANF & XIX Eligibility Status Report was designed to address issues with ticklers and automated messages. However, in recent months a new model for implementing system changes in smaller increments has been implemented.

Action Plan: FPR will meet with the OR-Kids business team to discuss options for system enhancements that would stop or pause TANF-EA claiming under defined circumstances to prevent erroneous claiming

Anticipated Completion Date: June 30, 2019

2018-010 Department of Human Services
<u>Emergency Assistance Costs Exceed Limits</u>

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (TANF) (93.558)
Federal Award Numbers and Year:	2017G996115; 2017, 2018G996115; 2018
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	$141,217 (known)

Criteria: 42 USC 604(a)(2)

Federal regulations permit states to use federal TANF funds for activities authorized in a September 30, 1995, approved plan. The authorized plan permits the department to provide emergency child welfare intervention services up to $25,350 for a period of not more than 365 days. The department uses its child welfare system, OR-Kids, to make client payments and track client eligibility information.

We reviewed fiscal year 2018 child welfare client expenditure data and identified eight cases where TANF benefits exceeded $25,350 for the fiscal year that have not been corrected by the department. Total questioned costs for these cases for the fiscal year were $141,217. The department relies on an OR-Kids report to help identify and monitor cases approaching the allowable limit. In fiscal year 2018, the monitoring was not performed consistently, resulting in late corrections or no corrections of some cases exceeding the allowable limit.

We recommend department management ensure timely and consistent monitoring of OR-Kids reports, including adequate communication, to ensure the cases exceeding the benefit threshold of $25,350 are corrected timely. We also recommend department management reimburse the federal agency for costs exceeding the limit.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Child Welfare Federal Policy and Resources (FPR) has reviewed the circumstances of each identified case and corrections have been completed.

FPR found that TANF claiming exceeded limits in some cases due to retroactive placement entry. During the period under review, the Child Welfare Residential Treatment Unit was forming a centralized placement entry team. Those new business processes between the field and central office resulted in late placement entry. Those business processes have been in place for several months and the backlog has been resolved. Currently, the team is opening placements within 30 days. The other cases that were found to exceed claiming limits were a result of relying on an ability to make retroactive changes to a child's eligibility. Action Plan: FPR will establish a more diligent protocol for pulling the EL-3008 TANF $20K Report monthly and immediately notify staff of any child approaching the TANF claiming limit and request a redetermination. FPR will provide a second level of review to ensure changes have been made as required.

OR-Kids system enhancements have been pending since before findings like these were made in 2014. The EL 3008 TANF $20K Report was designed to work around the OR-Kids issues with ticklers and automated messages. However, in recent months the OR-Kids business team has implemented a process that facilitates a more incremental approach to making changes.

Action Plan: FPR will meet with the OR-Kids business team to discuss options for system enhancements that would stop or pause TANF-EA claiming under defined circumstances to prevent erroneous claiming.

Anticipated Completion Date: June 30, 2019

2018-011 Department of Human Services
Assistance Provided Beyond Federal Time Limit

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (TANF) (93.558)
Federal Award Numbers and Year:	2017G996115; 2017, 2018G996115; 2018
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	$953 (known)

Criteria: 42 USC 608(a)(7)(A)

TANF regulations specify no state may use any of its federal TANF funds to provide assistance to a family that includes an adult who has received federal assistance for 60 months (whether or not consecutive).

For fiscal year 2018, we randomly selected 32 cases for testing and found one case where the department approved TANF assistance for a client who exceeded the federal 60 month limit at the time of application. Although the department's monitoring process identified and resulted in correcting the month of service, we found other months for the same client during the fiscal year that remained uncorrected. We questioned costs of $953 for fiscal year 2018. While we only identified one error in our sample, the department's subsequent processes did not fully correct the issue. Given the specific nature of the error, we did not perform additional testing to identify further errors.

We recommend department management ensure adequate processes are in place to ensure federal TANF payments are not made beyond the 60 month time limit. We also recommend department management correct the identified case and reimburse the federal agency for amounts claimed.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Action Plan: The Department will adopt a process to review monthly the time limit reports to ensure that federal TANF payments are not made beyond the 60-month TANF time limit.

Anticipated Completion Date: June 30, 2019

2018-012 Department of Human Services
Seek Approval for Federal Five-Year Time Limit Exemptions

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Temporary Assistance for Needy Families (TANF) (93.558))
Federal Award Numbers and Year:	2017G996115; 2017, 2018G996115; 2018
Compliance Requirement:	Eligibility
Type of Finding:	Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 42 USC 608(a)(7)(A); 42 USC 608(a)(7)(D)

TANF federal regulations specify no state may use any of its federal TANF funds to provide assistance to a family that includes an adult who has received federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive). The federal regulations for the TANF program also specify that states may not count toward the five-year limit, any month of assistance received by an adult while living in "Indian country," as defined in section 1151 of title 18, United States Code where at least 50% of adults were not employed.

Previously, rather than use the U.S. Code to define "Indian country," the department used the Bureau of Indian Affairs (BIA) definition of "service areas" as defined by 25 CFR, which is broader than "Indian country." During fiscal year 2015, the U.S. Department of Health and Human Services (DHHS) directed the department to utilize the definition consistent with the U.S. Code and to supply DHHS with a methodology for accomplishing the directive. The department requested clarity from DHHS regarding whether they should adopt a definition of "Indian country" without reference to the tribal restoration acts.

While still awaiting a response to their proposal from DHHS, the department has moved forward with their plan to redefine "Indian country" in accordance with U.S. Code. Effective January 1, 2017, the department's new criteria for exemption due to "Indian country" is:

1) Individuals living on an Indian Reservation, living in a dependent Indian community, or on a tribal allotment as identified on the application; or
2) Individuals who are registered members of one of Oregon's nine federally recognized tribes and are living in an eligible county, based on the county's current population and employment rates.

While the department has removed many exemptions since the change in criteria on January 1, 2017, many prior exemptions have not been corrected, resulting in many months that continue to be excluded based on the previous definition. We identified four of 32 randomly selected cases during data report testing where federal countable months were incorrect due to a former "Indian country" exemption and six of 32 cases where clients continue to be exempted for "Indian country" but do not meet the criteria effective January 1, 2017, as outlined above.

Consequently, there may be TANF clients improperly receiving federal assistance that have exceeded the five-year time limit.

We recommend department management continue to work with DHHS to obtain approval of the department's plan for "Indian country" time limit exemptions. We also recommend department management correct cases that had been improperly exempted prior to January 1, 2017, and review and reimburse the federal agency as appropriate for payments made beyond the allowable time limit.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the finding.

Action Plan: The Department will review the 10 errors on the designation of Indian country. Once validated, the Department will submit a change request to correct these data errors and the system.

Anticipated Completion Date: June 30, 2019

2018-013 Oregon Health Authority
Improve Controls for Monitoring MMIS Claims Edits and Audits

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1705OR5MAP; 2017, 1705OR5ADM; 2017, 1805OR5MAP; 2018, 1805OR5ADM; 2018
Compliance Requirement:	Activities Allowed or Unallowed, Special Tests and Provisions
Type of Finding:	Material Weakness
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 42 CFR 447.45

As part of the financial statement audit, a material weakness was identified related to management's monitoring of Medicaid Management Information System (MMIS) edits and audits. For more detail refer to Financial Finding 2018-002.

The financial audit found the Oregon Health Authority (OHA) does not maintain a comprehensive inventory of currently operating MMIS claims edits and audits. Management does not monitor configuration changes to edits and audits made by OHA personnel and does not have monitoring controls in place to provide assurance that unauthorized changes are not made to the system. In addition, OHA does not perform regular testing of edits and audits to ensure the effectiveness and completeness of those controls. Lastly, as department staff could not definitively identify when or how a selected edit should be triggered, we could not complete testing to determine if the edit was functioning correctly.

Having a strategic framework and thorough understanding of these controls, including what they do and when they trigger, is critical for ensuring accurate and properly recorded payments.

OHA lacks the understanding and monitoring of the controls necessary to ensure accurate and properly recorded payments, potentially putting millions of taxpayer dollars at risk.

We recommend management implement monitoring processes to provide assurance over the accuracy of MMIS claims edits and audits, as well as implement processes to understand the edits and audits controls and test their effectiveness and completeness. Additionally, management should continue to work with their service provider to maintain a comprehensive inventory of current MMIS edits and audits.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

A comprehensive inventory of MMIS claims edits has been compiled. To proactively test the effectiveness and completeness of those controls, the contractor will identify the top 20 percent of edits for testing. The contractor will submit quarterly reports regarding the status and results of that testing. Implementing the testing plan requires CMS approval. OHA has submitted a contract amendment request to CMS to approve this plan to have our vendor help us identify and test edits to the MMIS.

In addition, OHA's MMIS Business Support Unit will develop a plan and implement testing of the remaining 80 percent of the edits. That testing will also be reported out in the quarterly report.

The plan also involves use of an OPA3 in the MMIS Business Support Unit to do some testing of the other claims edits in MMIS. That testing will also be reported out in the quarterly deliverable.

Anticipated Completion Date: March 1, 2019

2018-014 Department of Human Services/Oregon Health Authority
Income Not Always Verified by System

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1705OR5MAP; 2017, 1705OR5ADM; 2017, 1805OR5MAP; 2018, 1805OR5ADM; 2018
Compliance Requirement:	Eligibility
Type of Finding:	Material Weakness
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 42 CFR 435.948; 42 CFR 435.949

The Department of Human Services (department) is responsible for determining client eligibility for the Medicaid program. For clients eligible under the Modified Adjusted Gross Income (MAGI) requirements, the department uses the Oregon Eligibility system (ONE) to verify eligibility.

A key control of the ONE system is to access federal databases governed by the U.S. Department of Health and Human Services to verify client income, citizenship, and other applicable information. Based on results received from the Federal Data Services Hub (i.e. the hub), the ONE system determines eligibility and eligible client applications move forward and benefits begin. The ONE system should also verify income during the annual client eligibility redetermination.

During our audit, the department informed us they had determined that based on information entered into the ONE system by caseworkers, the ONE system would determine client's income eligibility without actually accessing the hub to verify income if the client reported $0 income. The citizenship would still be verified. Further, training provided to the caseworkers at the time the ONE system was implemented instructed the staff to enter client information in a manner that would not require ONE to verify income.

Failing to verify income at the hub does not automatically mean the client was ineligible for benefits, but it does create an increased risk that ineligible clients were mistakenly deemed eligible. In our testing of the client eligibility requirement, we sampled 26 clients determined eligible through the ONE system of which 18 reported zero income. Per information provided by the ONE vendor regarding the interface with the hub, we noted that six of the 18 items did not access the hub to verify income. We confirmed that the clients were financially eligible by reviewing income data from other sources.

We recommend department management investigate and identify the extent to which client income was not verified. We also recommend department management provide appropriate notification and training to staff to ensure that data is entered in a manner that would ensure the ONE system appropriately accesses the hub to verify income eligibility.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

The department agrees to investigate this further. Discussions are underway to determine the most effective process for identifying the extent to which client income was not verified. The department already systematically verifies the client's income, including their statement of $0 income, when applications are submitted through the applicant portal, when other individuals on the case have income, and during the annual client eligibility determination. However, the department is in the process of updating the ONE system to trigger the Federal Data Services Hub ("the hub") automatically at initial application, without relying on caseworker interaction. This update will ensure the client's statement of income is verified in all circumstances.

The department agrees with the recommendation to provide notification and training to staff. When the ONE system was implemented in December 2015, training was developed based on how the state understood that the hub would be triggered. Revised guidance was provided in the spring of 2018, when this functionality was discovered. During the course of this audit, an all-staff transmittal was sent, and in April 2019 the staff eligibility manual will be updated and guidance will be published in an agency-wide newsletter. Each of the staff communication items address the need to verify income and details about what must be done in the ONE system to accomplish this.

Anticipated Completion Date: December 31, 2019

2018-015 Department of Human Services/Oregon Health Authority
Improve Documentation for Client Eligibility Determinations

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1705OR5MAP; 2017, 1705OR5ADM; 2017, 1805OR5MAP; 2018, 1805OR5ADM; 2018
Compliance Requirement:	Allowable Costs/Cost Principles, Eligibility, Matching
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2017-014; 2016-024; 2015-016; 2014-018; 2013-038; 2012-033; 2011-015; 2010-012
Questioned Costs:	$ 54,164 (known)

Criteria: 42 CFR 435.907(f); 42 CFR 435.916(b); 42 CFR 435.916(f); 42 CFR 435.916(d); 42 CFR 435.914

Federal regulations require certain conditions be met for the department and authority to receive Medicaid funding for medical claims, including a signed application and redetermination of eligibility for the program every 12 months or when the agency receives information regarding a change in the client's circumstances that may affect their eligibility. In addition, the department and authority are required to maintain sufficient documentation supporting the client's eligibility and individual claims.

We randomly selected 69 clients and one Medicaid service payment associated with each client. We reviewed agency documentation to verify matching, eligibility, and allowability of Medicaid service. For nine clients, we found the issues described below.

- Two clients where the caseworkers did not re-verify eligibility within the required 12 month period.
- One client was not correctly dual enrolled in Medicaid and Medicare resulting in questioned costs of $42,641.
- Two clients where caseworkers incorrectly removed portions of income from the clients' reported income calculation. One client was incorrectly deemed eligible for one month, resulting in questioned costs of $126. The other client was appropriately determined eligible despite the error.
- One client where the number of hours of homecare support was reduced during the annual re-verification of eligibility. However, the reduction was not recorded in the appropriate systems and the client continued to receive the additional number of hours in home care. The administrative error resulted in questioned costs of $11,396.
- Three clients were enrolled in the wrong program resulting in the use of an incorrect matching rate. However, in all cases, the matching rate used was lower than the allowed rate, resulting in zero questioned costs.

The above issues occurred due to input errors, oversight errors, and other administrative errors by various caseworkers**.**

We recommend management strengthen controls to perform timely eligibility redeterminations and verification of client income, and ensure eligible clients are appropriately enrolled in both Medicare and Medicaid. Additionally, we recommend management provide periodic training to caseworkers to reduce the risk of administrative errors. We also recommend management correct all identified issues and reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

The department is committed to providing timely benefits to only those individuals who are appropriately determined eligible. The department has taken positive steps since the fall of 2016 to improve its business reporting capabilities for tracking and remediating untimely Medicaid redeterminations. The department expects that the technological advancements and improved functionality of the new Integrated Eligibility (IE) system will provide greater operational opportunities to strengthen its client eligibility controls specifically related to the timeliness of determinations, correct enrollment and the electronic retention of required eligibility data elements such as signed applications. In addition, the department is engaged in efforts to restructure existing caseworker training to support and align with the new Integrated Eligibility system, which will reduce the risk of administrative errors. Similarly, the department expects that the statewide implementation of the Centers for Medicare & Medicaid Services (CMS) approved electronic Asset Verification System (AVS) will provide client resource information in a more timely, robust and comprehensive manner. The department will correct all identified issues and reimburse the federal agency for unallowable costs.

For the client whose income was incorrectly removed, the department will identify and reimburse any unallowable costs related to this client. The department will also include guidance in an agency-wide newsletter to reinforce when income should be removed from a client's record.

Anticipated completion date: December 31, 2019

2018-016 Department of Human Services/Oregon Health Authority
Improve Documentation for Provider Eligibility Determinations and Provider Revalidations

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778)
Federal Award Numbers and Year:	1705OR5MAP; 2017, 1705OR5ADM; 2017, 1805OR5MAP; 2018, 1805OR5ADM; 2018
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2017-015; 2016-025; 2015-020; 2014-019; 2014-023; 2013-135; 2013-041; 2012-030; 2012-029
Questioned Costs:	$8,518 (known)

Criteria: 8 CFR 274a.2(b)(1)(ii)(B); 42 CFR 455.436; OAR 411-031-0040

Provider eligibility requirements for the Medicaid program differ depending upon the type of services provided; however, all providers are subject to specified database checks and are required to sign an adherence to federal regulations agreement (agreement). State requirements also include a background check and proof of the right to work in the United States (I-9 form) for providers such as homecare workers and personal care providers. The Department of Human Services (department) and Oregon Health Authority (authority), are responsible for determining the eligibility of these Medicaid providers.

We tested 31 authority providers and 29 department providers receiving Medicaid funds during fiscal year 2018 and found they could improve the documentation supporting provider eligibility. Specifically, we found the following instances of noncompliance:

- One department provider where the I-9 form was not signed by the employer or authorized representative verifying the information. We notified the department of this issue and the department was able to obtain a new completed I-9 form.
- One authority provider where the authority was unable to locate the Provider Enrollment Agreement (PEA). We notified the authority of this issue and the authority was able to obtain a new completed PEA.
- One department provider where the department was unable to locate the PEA and the I-9 form, resulting in questioned costs of $8,518 for the fiscal year.

Additionally, federal regulations require that the department periodically revalidate providers by performing database checks to ensure providers are still eligible to participate in the Medicaid program. Based on our sample of 60 providers we found:

- Three authority providers where the authority did not complete the required database checks within the required time frame. After we identified the specific items, the authority completed the necessary database checks.

The above issues occurred due to staff error and inadequate record maintenance.

We recommend department and authority management strengthen controls to ensure documentation supporting a provider's eligibility determination is retained. We also recommend department management reimburse the federal agency for cost paid related to the ineligible provider.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

The Oregon Health Authority (OHA) Provider Services management team will review database checks and documentation for all active FFS Medicaid providers. This will begin April 1, 2019. Missed database checks will be conducted and documented. Audit outcomes will be reported to leadership. Estimated completion is April 29, 2019.

The OHA management team will ensure ongoing completion of the required database checks by auditing the Medicaid provider files for missed checks every three months. This will begin April 1, 2019. Audit outcomes will be documented and reported to leadership within 14 days of audit completion.

The OHA Provider Services management team will provide additional database check training to enrollment staff by May 2, 2019.

The OHA management team is reviewing a potential solution to automate all or a portion of the required database checks, which will substantially decrease missed database check errors. An estimated completion date is not available.

APD will provide training to staff to ensure they are trained to correctly complete provider I-9's and Provider Enrollment Agreement before employment date begins.

Anticipated completion date: May 2, 2019

2018-017 Department of Human Services
<u>Improve Foster Care Eligibility and Licensing Documentation</u>

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1701ORFOST; 2017, 1801ORFOST; 2018
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2017-012; 2016-019; 2015-009; 2014-014; 2013-027; 2012-025
Questioned costs:	$17,972 (known); $817,648 (likely)

Criteria: 42 USC 672(c); 42 USC 671(a)(20)(A); 42 USC 671(a)(20)(B); 42 USC 675(8)(B)

Federal regulations outline the requirements the department must meet to receive Foster Care funding for child welfare expenditures. The department is required to determine child eligibility and maintain documentation of that determination, ensure providers have met a criminal background check and child abuse and neglect registry check (including other adults residing in the home), and ensure the foster home is fully licensed.

We reviewed a random sample of 60 foster care cases to determine whether the child eligibility and provider licensing determinations were appropriately made and supported. We identified the following exceptions:

- One child case file did not include the required documentation supporting the eligibility of an over-18 year old child. We questioned costs of $103.
- A home study not completed for one provider who was not previously fully licensed. We questioned costs of $1,479. These questioned costs all relate to the child documented in the exception above.
- A home study and criminal background check was not documented for one provider's renewal period. As there was not an application for the renewal, this provider was not licensed under state rules. We questioned costs of $2,955.
- A background check and child abuse and neglect registry check were not performed for an individual living in the home other than the provider. We questioned costs of $13,435.

- A home study was not signed by a supervisor for one provider.

We recommend department management ensure all required documentation is completed timely, reviewed, and maintained. We also recommend department management reimburse the federal agency for costs paid related to the exceptions identified above.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

The changes to the OR-Kids provider record to ensure all required elements are completed prior to full certification has shown improvement in documentation. With the additional information captured in OR-Kids, the agency can create exception reports to reduce the human errors that can still occur. Federal Policy, Planning and Resources and the Foster Care Unit will collaborate with the OR-Kids Business team to develop exception reports to improve monitoring compliance with inputting certification records and ensure accurate eligibility determinations. This is targeted to be completed by October 31, 2019.

Federal Policy and Resources will facilitate communication with the eligibility field staff to clarify Title IV-E age requirements for young adults 18 years and older. This communication will be completed by June 30, 2019.

Federal Policy and Resources will work in cooperation with the Foster Care Unit to ensure the error cases are corrected and provide documentation to the Office of Financial Services to include the appropriate quarterly CB496 report to reimburse known costs.

These corrections will be made by June 30, 2019.

2018-018 Department of Human Services
Financial Transaction Processing Errors in Child Welfare System

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658) Medicaid Cluster (93.775, 93.777, 93.778)
Federal Award Numbers and Year:	1701ORFOST; 2017, 1801ORFOST, 2018, 1705OR5MAP; 2017, 1705OR5ADM; 2017, 1805OR5MAP; 2018, 1805OR5ADM; 2018
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2017-013; 2016-018; 2015-007
Questioned costs:	$277,004 (Foster Care known), $5,949 (Medicaid known)

Criteria: 45 CFR 1356.21

The department's child welfare information system, OR-Kids, manages placements, eligibility, payments, and other case information. Information systems should be designed to ensure information processed by the system is complete, accurate, and valid. As with any significant program or system, management should have an adequate understanding of the processes and controls it is relying on, and should obtain assurance those processes and controls are functioning as intended.

While performing current year follow-up procedures related to prior year findings that identified processing issues within OR-Kids, we found errors continue to occur when various types of corrections are made to placement information in the system. When placement corrections are initiated, OR-Kids issues a “new” payment, and simultaneously recovers the funds from the payment issued at the time of original services, which generally results in no payment to the provider. However, this process does not always occur as it should, and results in the department incorrectly reporting and drawing federal funds. For some placement corrections, OR-Kids processed the recovery of the funds in a state grant, instead of the federal program, resulting in estimated inappropriate federal expenditures in fiscal year 2018 of $277,004 for Title IV-E Foster Care, and $5,949 for Medicaid.

This issue was originally identified in fiscal year 2015. The department is currently in the process of developing a permanent fix to the OR-Kids system to prevent these processing errors from occurring. The agency has also repaid estimated questioned costs identified in the 2015 and 2016 audits; however, the actual questioned costs to be repaid have not been identified. Reports that can be used to identify actual amounts to be repaid are in development.

We recommend department management review OR-Kids transaction processing and complete system modifications as appropriate to ensure proper financial reporting of program expenditures. We also recommend department management review prior year and current year transactions and reimburse the federal agency for grant expenditures claimed inappropriately.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the recommendation.

Change requests have been written to correct the OR-Kids system issues identified in the finding. These changes will ensure the correct split group is selected when refinancing historic transactions, allow placement corrections in a different age group for a child when they have aged into the next age group, change the eligibility batch to consider eligibility dates that occur after TPR date, and ensure correct PCAs are charged by grant phase so accurate reporting to SFMA of the expenditure of federal funds will occur. A report has been developed to identify adjustments that impacted a state grant rather than the federal grant and is in the validation stage. Once the report is complete and accurate, the agency will use it to report accurately and will begin to make appropriate adjustments to all incorrect claims. Known costs in this finding will be reimbursed on the 6/30/19 CB-496.

Anticipated completion date: December 31, 2019

2018-019 Department of Human Services
<u>Strengthen Review over Costs Charged to Program</u>

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1701ORFOST; 2017, 1801ORFOST; 2018
Compliance Requirement:	Allowable Costs/Cost Principles, Matching
Type of Finding:	Significant Deficiency
Prior Year Finding:	N/A
Questioned costs:	$116 (known)

Criteria: 2 CFR 200.53; 45 CFR 1356.60(c)

Federal regulations allow expenditures to be reimbursed to foster care providers at the federal financial participation rate for various program costs including administrative costs necessary for the proper and efficient operation of the program. The department's child welfare information system, OR-Kids, processes payments to providers for services. Payments made to vendors other than providers are directly entered into SFMA, the state's accounting system.

We selected a random sample of 60 payments recorded in OR-Kids and 25 payments entered into SFMA to determine the allowability of costs charged to the Foster Care program for fiscal year 2018. We identified the following errors which were not identified during departmental review that resulted in $116 in known questioned costs; likely questioned costs do not exceed $25,000:

- The mileage rate paid for one transaction did not agree with the mileage reimbursement rates in effect at the time of service.
- An invoice for ergonomic adjustments was paid at the training federal financial participation rate of 75% instead of the administrative rate of 50%.
- A juvenile justice claim submitted by a county for reimbursement was incorrectly calculated.

We recommend department management ensure payments are adequately reviewed to verify payments are for the correct federal financial participation rate and calculated correctly. We also recommend department management reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the recommendation.

$112.50 has been adjusted with BT178487 and will be returned and reported on the 3/31/19 CB-496 report. Remaining known costs will be reimbursed on the 6/30/19 CB-496 report.

2018-020 Department of Human Services
Improve Contract Monitoring

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Foster Care – Title IV-E (93.658)
Federal Award Numbers and Year:	1701ORFOST; 2017, 1801ORFOST; 2018
Compliance Requirement:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency
Prior Year Finding:	2017-011
Questioned costs:	N/A

Contracting best practices indicate that contracts for services should clearly specify the deliverables, timelines, and costs for services. Contract monitoring is also an essential part of the contracting process, and should ensure that contractors comply with contract terms and performance expectations are achieved.

The department contracts with providers for services to support child welfare clients and families to meet the federal waiver (demonstration project) goal of improving positive outcomes among foster care children. Contracted services may include parent mentoring, parent coaching, family navigators, and other forms of assistance.

Generally, the department contracts for one to two year periods for waiver based services with the total contract amount split equally across monthly payments for the duration of the contract period. Contract monitoring performed by department staff mainly consists of reviewing the monthly invoices submitted by providers for payment. The monthly invoices only require the provider to report the number of clients served and units for each service, but not the billable rates for each service.

We reviewed a sample of 25 randomly and two judgmentally selected contracts. The objective of our review was to determine if the department's contracts consistently specified deliverables, timelines, and costs for services and the contracted services were for allowable costs under the federal waiver.

We found that due to the nature of the equal monthly payments and the absence of billable rates on invoices, the department's allocation of the provider's monthly contract payment to each of the clients listed on an invoice does not provide a clear picture of the costs of services provided on a per service unit basis. While the monthly payment remains constant over the life of the contract, the number of clients served may differ for each month, resulting in varying costs per service unit for a given provider and month. As a result, the department does not have adequate assurance it receives what it contracts for.

We recommend department management ensure adequate contract monitoring processes are in place to provide assurance that the department is receiving the services provided for in these waiver based contracts.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the recommendation.

The agency is in the process of improvement efforts as it relates to contract administration. There is also broader work in the state of Oregon focused on improving contract administration practices. Procurement training requirements were written into law ORS279A.159 with the passage of HB2375 in 2015. DAS Procurement Services and a team of Designated Procurement Officers have prepared training standards and programs to meet the new statutory requirements. Currently, all state employees responsible for administering a state contract over $150,000 obtained the Contract Administration Training Certificate.

Child Welfare acknowledges the existence of numerous professional services contracts where equal payments are made on either a monthly or quarterly basis for the duration of the contract for requisite service(s) to a specific client population. In the ordinary course of Child Welfare business, the services delivered under such contracts is reviewed by both the invoice support staff and the case manager for the recipient. Both invoice support and case management staff members review and approve services prior to submission of the invoices for payment. These internal processes are admittedly not included in the terms and conditions of the contract.

Child Welfare is in the process of improving its contract, contract portfolios and contract administration processes overall with the help of Contract Consultants, Contract Optimization Consultant and collaborative work with OC&P. Child Welfare works closely with OC&P in the process of contract writing and will further collaborate to improve the contract language for confirming the receipt of purchased services. Having said the above, this payment methodology while not statutorily prohibited could be improved to better record that services purchased were actually delivered to clients and their families.

Anticipated Completion Date: December 31, 2019

2018-021 Department of Human Services/Oregon Health Authority
<u>Strengthen Controls over Changes to Cost Allocation Plans</u>

Federal Awarding Agency:	U.S. Department of Health and Human Services U.S. Department of Agriculture
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778) Foster Care – Title IV-E (93.658) Supplemental Nutritional Assistance Program (SNAP) Cluster (10.551, 10.561) Temporary Assistance for Needy Families (TANF) (93.558)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.62; 2 CFR 200.400; 45 CFR 95.509(a)(b)

Federal regulations allow state agencies to make changes to the federally approved cost allocation plans, but require state agencies to notify the federal oversight agency when changes affect the allocation of costs. At a minimum, agencies are required to submit an annual statement certifying that the plan is not outdated.

The Department of Human Services (department) administers separate federally approved cost allocation plans for both the department and the Oregon Health Authority. The plans outline the methods used to allocate the various cost pools to federal programs. Interim updates to the databases used to carry out the cost allocation process are tracked in a change log to ensure the submitted plans reflect the current process.

We compared detail from the cost allocation databases to the change log and the submitted cost allocation plans. We noted the following in our review:

- Five allocation methods were created in the databases to replace three methods previously included in the department's cost allocation plan submissions. However, these updates were not included in fiscal year 2018 and 2019 cost allocation plans or the change log.
- Seven random moment sampling activity code calculations were not accurately described in the fiscal year 2018 cost allocation plan and no updates were documented in the change log. Six of these calculations continued to be incorrectly described in the fiscal year 2019 plan.

Without an effective tracking mechanism, there is the potential that not all interim changes will be included in plan updates communicated to the federal oversight agency for their approval. It is important all changes are communicated to the federal oversight agency to ensure the approval of any updates to the cost allocation plans cover the actual cost allocation process carried out by the department.

We recommend management ensure changes to the cost allocation process are included in its change log to ensure all changes are incorporated in subsequent plan submissions. Further, the department should ensure the discrepancies identified are corrected in the next plan submission.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

The agency has reviewed the questioned allocation methods to determine which were used by the agency and were appropriate to include in the federal Public Assistance Cost Allocation Plan (PACAP).

The narrative description of the Random Moment Sampling method calculations will be included in the next PACAP submission. The agency change log will be reviewed monthly to ensure that appropriate updates are made in future subsequent PACAP submissions.

Anticipated Completion Date: June 30, 2019

2018-022 Department of Human Services/Oregon Health Authority
Strengthen Controls over Review of Expenditures

Federal Awarding Agency:	U.S. Department of Health and Human Services U.S. Department of Agriculture
Program Title and CFDA Number:	Medicaid Cluster (93.777, 93.778) Foster Care – Title IV-E (93.658) Supplemental Nutritional Assistance Program (SNAP) Cluster (10.551, 10.561) Temporary Assistance for Needy Families (TANF) (93.558)
Federal Award Numbers and Year:	Various
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	$2,219 (known); $168,875 (likely)

Criteria: 2 CFR 200.53; ORS 44.415

In the course of providing services to clients and administering agency operations, the Department of Human Services (department) and the Oregon Health Authority (authority) receive and process numerous invoices for payment. The invoices are reviewed and approved to ensure the expenditures are valid, the coding directs the expenditure to the appropriate cost center, and the cost is allowable. The cost centers may be directed to a federal or state program or to a cost pool that allocates the expenditures through the cost allocation process. The cost allocation process provides a mechanism to allocate indirect costs to multiple programs receiving benefit from the expenditures or shared service, and is administered in accordance with federally approved plans for the department and the authority.

During our testing of the expenditures entering the cost allocation process, we reviewed a random sample of 60 non-payroll related transactions to ensure that expenditures were (1) allowable per the federal guidelines and (2) appropriately charged to the indirect cost pool. We identified the following exceptions:

- One sample item was a duplicate payment resulting in overpayment to the vendor of $2,201. Upon inquiry, the department provided support it had identified the duplicate payment in May 2018, but as of August 2018 had not processed a recoupment. The department determined the invoice was placed in two separate folders for payment due to human error.
- One sample item was a payment for a court witness paid using a federal mileage rate of $.535 per mile instead of the $.08 per mile in accordance with state statute, resulting in an overpayment of $18. The department determined a template was incorrectly updated with the IRS per diem rate. As a result, it is likely there are other errors of a similar nature.

We recommend management strengthen internal controls to ensure all costs entering the cost pools are allowed and for the correct amount. Further, the department should identify any additional mileage rate errors and correct all known issues.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with this recommendation.

The agency has a regular process to review for duplicate payments; however, the questioned payment was missed. It was corrected on October 30, 2018, with document AR075480.

The agency will be working with the program staff to ensure they understand that submissions for court witness mileage reimbursements are paid a different IRS per diem rate. The agency reviewed court witness mileage reimbursements and found an additional 27 transactions paid at the inappropriate rate, resulting in $535.33 in overpayments. This amount also will be adjusted. The specific questioned cost of $18.20 was adjusted on March 13, 2019, with BTCL1176.

Anticipated Completion Date: March 30, 2019

2018-023 Department of Justice
<u>Ensure Allowable Costs are Supported</u>

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Support Enforcement (CFDA 93.563)
Federal Award Numbers and Year:	1804ORCSES; 2018
Compliance Requirement:	Allowable Costs/Cost Principles, Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	$25,689 (known)

Criteria: 45 CFR 304.21(a); 45 CFR 75.430(a); OAM 10.15.00.104

The Child Support Enforcement (CSE) program relies on district attorneys in 22 counties to help carry out administration of the program. Federal funding is available for costs of cooperative agreements with appropriate law enforcement officials, such as district attorneys and their staff. Payroll costs for these counties are allowable costs because they directly relate to administration of the CSE program, and must be supported by appropriate documentation.

The CSE program reviews requests for funds, including quarterly reimbursement requests from subrecipient counties for administration costs, which include payroll (salary and fringe benefits), services and supplies, and indirect costs. We tested 11 randomly selected samples from a population of 400 subrecipient requests; all contained adequate support. In addition, we tested two requests judgmentally selected as individually important items. One quarterly payment to a county was significantly higher than the previous three quarterly payments. Our review of the December 31, 2017 reimbursement request from this county revealed:

- Total payroll increased 35% from the previous quarter and no documentation was provided to support the request. When CSE requested documentation from the county, it revealed an overpayment of state and federal funds. The federal share represents $24,187 in questioned costs.

- In addition, the county claimed $6,065 in indirect costs, based on 10% of salary. The correct amount is $4,563, resulting in an overpayment to the county and questioned costs of $1,502.

We were informed the county underwent a major personnel change near the time of the reimbursement request. CSE personnel helped complete and approve the submitted paperwork, which contained no documentation for payroll.

We recommend department management ensure subrecipient reimbursement requests contain sufficient supporting documentation and that unusual amounts be investigated for accuracy. We also recommend the department reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We concur there is a need to ensure subrecipient reimbursement requests contain sufficient supporting documentation and that unusual amounts be investigated for accuracy. We also concur that the federal agency needs to be reimbursed for allowable costs. This will be carried out by:

- *Implementing an additional internal control to have another employee review each reimbursement request and confirm that all supporting documents match the reimbursement request. This will also include reviewing prior reimbursement requests to ensure that if there are any significant variances, there is documentation to support the variance.*
- *Following up with the subrecipient county regarding repayment of the federal funds overdraw as part of subsequent reimbursement requests. The subrecipient county also will have an in-person site review this year.*

The additional internal control has been implemented for all subrecipient reimbursement requests received after March 15, 2019. The in-person subrecipient site review will occur by September 30, 2019. The reimbursement of federal funds will occur out of subrecipient quarterly reimbursement requests no later than the reimbursement for the quarter ending June 30, 2019.

2018-024 Department of Justice
Improve Controls over Federal Financial Reporting

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Child Support Enforcement (CFDA 93.563)
Federal Award Numbers and Year:	1704ORCSES; 2017, 1804ORCSES; 2018
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 45 CFR 301.15

Oregon's Child Support Enforcement (CSE) program is administered by the Department of Justice. Federal regulations require CSE programs to submit quarterly financial reports (OCSE-396), which the federal agency uses to determine the allowability of reported expenditures, compute quarterly grant awards, and provide program information reports to Congress. OCSE-396 reports must contain actual, verifiable transactions supported by readily available accounting records and source documentation. CSE has a process for reviewing the reports; however, review is difficult due to the complicated process of compiling data.

We tested two of the four quarterly OCSE-396 reports and could only verify the total costs claimed were supported. We could not obtain assurance the amounts reported for system development, and system operation and maintenance, and subsequently administrative costs, were accurate or complete. The computer system amounts reported for all four reports submitted during fiscal year 2018 were based on queries that were not retained, and could not be recreated.

In addition, we identified the following known errors:

- The OCSE-396 report for the quarter ended December 31, 2017 inappropriately allocated expenditures between line items, such that administrative costs were overstated by $199,349 and expenditures for system development were understated by $199,349.
- The OCSE-396 report for the quarter ended September 30, 2017 overstated prior quarter adjustments of administrative costs by $3,065.

We recommend department management strengthen internal controls to ensure OCSE-396 reports contain actual and verifiable transactions supported by readily available accounting records.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We disagree with the finding that there is a significant deficiency in the existing process. The OCSE-396 report did in fact contain actual and verifiable transactions.

As noted by the audit, we only requested reimbursement for allowable expenses. The federal grant is in balance. The issue expressed by the auditors is that the queries used to complete lines 4/5 were not retained and the query limits changed from quarter to quarter. The auditors attempted to recreate the query but were not able to balance to the spreadsheet provided by the CSE Fiscal Officer. The CSE Fiscal Officer provided a complete reconciliation of the amounts by expense as well as informed the auditors that query limits change from quarter to quarter because some expenses recorded in an agency objects do not qualify per federal rules. Therefore, we believe that the auditor's concern does not relate to the accuracy, verifiability, and completeness of the amounts reported in the OCSE-396. The grant remains in balance. The complex process we use was by request of the federal government to allow the Program to transfer expenses appropriately between line lb and lines 4/5 of the report.

However, to address the concern expressed by the auditors, we have updated our internal process. The CSE Fiscal Officer will begin to use the DOJ Grant Accountant's download from the 396 compilation so that files will tie it back to the 396 report. This will also provide a table that balances out the calculations by PCA. This will ensure that DOJ ASD Financial Services Manager can easily review and verify the file.

The following addresses the known errors identified in the finding:

- *The OCSE-396 report for the quarter ended December 31, 2017, overstated administrative costs by $199,349 and understated expenditures for system development by $199,349. This expense for VOIP license renewal was not moved to the correct line. The adjustment was completed on the OCSE-396 report for the quarter ended December 31, 2018.*
- *The OCSE-396 report for quarter ended December 31, 2017, overstatement was due to an error in removing the General Fund portion of a subrecipient payment to Crook County (effective date of 6/30/17). This carried forward to the Prior Adj Column of line lb on the OCSE report ($2,023 / 66% = $3,065). This error resulted in an overaward of $3,065, but we did not draw the amount. It will show as surplus at the federal level until a federal sweep is done.*

Auditor Comment
The CSE Fiscal Officer refers to a "reconciliation" in the response above. The CSE Fiscal Officer provided auditors with a spreadsheet that utilizes 44 tabs of data, but was unable to provide a query of their accounting system that supported the amounts in the spreadsheet and reported in lines 4 & 5 of the OCSE 396 Report. The department's own reviewer was unable to trace the amounts from the unsupported query download to the spreadsheet and then to lines 4 & 5; no narrative, cross walk or control totals were documented to assist with review. Auditors were unable to verify the accuracy and completeness of the amounts reported in lines 4 & 5 due to a lack of adequate documentation.

2018-025 Department of Human Services
Improve Controls over EBT Card Inventory

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
Federal Award Numbers and Year:	201616S601847; 2016, 201717S251447; 2017, 201717S601847; 2017, 201818S251447; 2018, 201818S601847; 2018
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 7 CFR 274.5

Clients participating in the SNAP program receive benefits electronically via electronic benefit transfer (EBT cards). Federal regulations require that the department provide certain minimum security and control procedures over EBT cards including secure storage, bulk inventory control records, and periodic review and validation of inventory controls and records. The department has established procedures to meet the minimum security requirements, which include conducting monthly inventory of EBT cards that should be compared to the balance on the stock control log. However, these procedures have not been fully implemented. Ensuring compliance with minimum security requirements helps prevent loss and potential misuse of EBT cards.

We reviewed EBT card security processes for 16 of the 104 field offices that issue EBT cards, which included reviewing whether inventory was conducted at least quarterly for July 2017 through April 2018. During our review we found:

- Two branches did not complete EBT card inventory at least quarterly and two branches did not have documentation of any inventory conducted for the 9 months reviewed.
- For the two branches with no documentation of any inventory, one branch did not maintain a stock control log and one branch's stock control log did not contain sufficient detail to enable tracking of EBT cards or ensure the accuracy of any inventory performed.
- One branch was performing inventories at least quarterly, but its stock control log for a few months contained mathematical errors in the running balance of EBT cards. If the running balance is not accurate, it is unclear how the inventory balance was agreed to the stock log.

The department has had an outstanding finding related to EBT card inventory since fiscal year 2013. Over the years, the department has reminded branch offices of its processes, developed training and verified branch offices completed it, and one year monitored branch offices inventory process for a quarter.

We recommend department management implement a consistent process to verify branch offices are conducting required inventory and accurately completing stock control logs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
We agree with the recommendation.

A plan has been developed and implemented to conduct quarterly inventory reviews for EBT stock control logs in Self Sufficiency offices and this will be expanded to include APD/AAA offices by October 1, 2019. The reviews are conducted by local business experts and the information is then tracked in a Central office database. The information will be reviewed during the quarterly business review to identify strategies to improve accuracy.

Anticipated Completion Date: October 1, 2019

2018-026 Department of Education
Strengthen Tracking Controls over Matching Requirements

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Federal Award Numbers and Year:	7OR300OR32; 2018
Compliance Requirement:	Matching
Type of Finding:	Significant Deficiency
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 7 CFR 210.17

Federal regulations governing the Child Nutrition Cluster program require the state to match a portion of federal expenditures by using a portion of its own revenues for program purposes.

We found that controls in place to ensure compliance with this requirement were not always effective. The department allocates the annual match responsibility to participating sponsors. Each sponsor must transfer the designated matching funds from its General Fund to its school food service account by the end of each state fiscal year. The department uses a tracking spreadsheet to monitor sponsor compliance and ensure the match is met. Sponsors that do not comply face penalties, which include the department withholding reimbursement of submitted claims.

Due to staff turnover, transfers of matching funds for several sponsors were not recorded in the tracking spreadsheet. In addition, there was missing follow-up for some sponsors shown on the tracking spreadsheet as having failed to transfer their match by the June 30, 2018 deadline. The lapse in controls caused inaccurate reporting on the 2018 FNS-13 federal report, which identifies the revenues that count toward meeting the department's required match.

Despite this lapse in controls and due to some sponsors providing more than the minimum match, the department met its required match and was in compliance with the federal match requirement.

We recommend department management strengthen its controls over the matching requirement to ensure consistent monitoring activities occur.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
ODE agrees with this finding and recommendations that management strengthen its controls over the matching requirement to ensure consistent monitoring activities occur. Our planned corrective action is as follows:

ODE will develop a master list to track school districts with a school matching requirement. We will update procedures to include specific due dates for documentation submissions, follow-up notifications and consequences for non-compliance.

Our anticipated completion date is June 30, 2019

2018-027 Department of Education
Strengthen Monitoring Controls over Subrecipients

Federal Awarding Agency:	U.S. Department of Agriculture
Program Title and CFDA Number:	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
Federal Award Numbers and Year:	7OR300OR32; 2018
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 7 CFR 210.18; 7 CFR 225.7

Federal regulations require pass-through entities to monitor the activities of subrecipients to ensure subawards are used for authorized purposes, comply with the terms and conditions of the subaward, and achieve performance goals.

During fiscal year 2018, the department expended $155.5 million in program funds to 181 subrecipient school districts. The department has established monitoring checklists to ensure all compliance requirements have been reviewed. We examined 21 subrecipients that received $42.6 million in program funds during fiscal year 2018 to determine if monitoring had occurred. The department provided closing letters that showed monitoring had occurred for all 21 subrecipients; however, due to staff turnover and priorities to complete additional reviews, the monitoring checklists for three of the subrecipients were not fully completed. For example, some sections of the checklists were completed and indicated compliance or noncompliance with the particular requirements reviewed while other sections were blank.

Without complete documentation of the monitoring that was performed, there is a risk subrecipients may not be complying with all applicable program requirements, and noncompliance may be overlooked.

We recommend department management implement procedures to ensure monitoring checklists are fully completed.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
ODE agrees with this finding and recommendation that management implement procedures to ensure monitoring checklists are fully completed. Our planned corrective action is as follows:

Implement and document a verification of the monitoring checklists (administrative review forms) for completion prior to the closure of reviews. Team Leads will be responsible to select a random sample of at least two verifications per Child Nutrition Specialist. The CNPweb Process Log will list the verifications selected and conducted.

Our anticipated completion date is June 30, 2019

2018-028 Higher Education Coordinating Commission
Ensure Timely Submission of Cost Allocation Plan

Federal Awarding Agency:	U.S. Department of Labor
Program Title and CFDA Number:	WIA/WIOA Adult Program (17.258) WIA/WIOA Youth Activities (17.259) WIA/WIOA Dislocated Worker Formula Grants (17.278)
Federal Award Numbers and Year:	AA25375VG0; 2015, AA25375TA0; 2015, AA25375TC0; 2015, AA25375VI0; 2015, AA25375TE0; 2015, AA268011E0; 2016, AA26801YQ0; 2016, AA26801YS0; 2016, AA268011G0; 2016, AA26801YU0; 2016, AA283383M0; 2017, AA283383O0; 2017, AA283383Q0; 2017, AA283385S0; 2017, AA283385U0; 2017, AA309637Z0; 2018, AA309638K0; 2018, AA309638Q0; 2018, AA30963AC0; 2018, AA30963AE0; 2018
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	$1,346,380 (known)

Criteria: 2 CFR 200 Appendix VII

Federal regulations state that a cost allocation plan (plan) or indirect cost rate (rate) require submission to the federal agency no later than six months after the end of the fiscal year. If plans are not approved by the federal agency, recovery of indirect charges are not allowed.

The Higher Education Coordinating Commission (department) submitted a plan to the U.S. Department of Labor for fiscal year 2016 for approval, however the U.S. Department of Labor has no record of receiving this plan. This was the first year for the department, prior to this the plans were submitted under the Community Colleges and Workforce Development Department. The department then prepared a plan for fiscal year 2017 but it was never submitted. The department did not prepare or submit a plan for fiscal year 2018. No provisional approval has been given by the U.S Department of Labor as they have not seen any documentation under the new department so they have no basis to approve a provisional plan. As the agency did not have an approved cost allocation plan for indirect costs, we will question all indirect charges for fiscal year 2018, totaling $1,346,380. Due to turnover in agency staff, plans were not submitted to the federal agency. The department is currently working with a contractor to develop a plan or rate for future years and had not charged indirect costs for fiscal year 2019.

We recommend department management ensure a plan or rate is submitted to the federal government within six months after the end of the fiscal year.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
Management agrees.

HECC Management Actions: HECC has contracted with FCS Group, a company with a proven track record of developing approved cost allocation models for other Oregon state agencies, to develop its 2016, 2017, and 2018 cost allocation plans. The plans will include descriptions of the methodology, approach and assumptions, cost pools, related allocation factors, exclusions, and resulting allocations and rates used. FCS will train HECC staff on model inputs, framework, modeling techniques, and use of the model in general. Staff will then be able to use the framework to develop and submit subsequent plans. HECC has informed the US Department of Labor that this work is currently in progress and expects it to be complete within the next few months.

Anticipated Completion Date: The contract specifies that work must be complete by August 31, 2019.

2018-029 Higher Education Coordinating Commission
<u>Improve Controls over Payroll</u>

Federal Awarding Agency:	U.S. Department of Labor
Program Title and CFDA Number:	WIA/WIOA Adult Program (17.258) WIA/WIOA Youth Activities (17.259) WIA/WIOA Dislocated Worker Formula Grants (17.278)
Federal Award Numbers and Year:	AA25375VG0; 2015, AA25375TA0; 2015, AA25375TC0; 2015, AA25375VI0; 2015, AA25375TE0; 2015, AA268011E0; 2016, AA26801YQ0; 2016, AA26801YS0; 2016, AA268011G0; 2016, AA26801YU0; 2016, AA283383M0; 2017, AA283383O0; 2017, AA283383Q0; 2017, AA283385S0; 2017, AA283385U0; 2017, AA309637Z0; 2018, AA309638K0; 2018, AA309638Q0; 2018, AA30963AC0; 2018, AA30963AE0; 2018
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2017-019
Questioned Costs:	$46,568 (known)

Criteria: 2 CFR 200.403(a); 2 CFR 200.430(a)

Federal regulations state that allowable costs are costs necessary and reasonable for the performance of federal awards. Payroll costs directly related to a federal award are allowable costs.

The department uses a timekeeping system where each employee has a default funding source based on their responsibilities. If an employee works on other projects, they select alternate coding in the timekeeping system to code the payroll charges to the appropriate funding source. Manager review of each employee's monthly timesheet should verify time charged to the federal program was appropriate.

We randomly selected 33 timesheets, which were related to 17 employees, to ensure payroll charges were reviewed by a manager and appropriately charged to the program. We identified two employees whose time incorrectly defaulted to the program and, thus, charged to the federal program. The department had identified and corrected the related payroll for one employee who had charged time from July 2017 to February 2018 to the program. The other employee's time was incorrectly charged to the program for July 2017 to December 2017, but the related payroll costs were not corrected resulting in questioned costs of $46,568. We reviewed all employees who charged time to the program and did not identify other employees whose payroll costs were incorrectly charged to the program.

The manager's review of monthly timesheets did not identify incorrect time coding to the federal program.

We recommend management review all timesheets to ensure employee time is appropriately coded for program purposes. We also recommend management reimburse the federal agency for unallowable costs.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
Management agrees.

HECC Management Actions: HECC requires managers to review and approve timesheets by payroll cutoff dates each month. In addition, the payroll staff has developed and begun to deliver a PowerPoint presentation that demonstrates how to review labor cost codes and override them when/if the default codes are incorrect. HECC management has communicated repeatedly that it is the manager's responsibility to review this information before approving employee timesheets. Operations Division Mangers received training on February 6, 2019 and the information technology unit received it on February 13, 2019. We are in the process of scheduling the PowerPoint presentation during existing staff meetings for all remaining employee groups. We have requested input for the US department of Labor to determine what actions may be necessary to resolve any outstanding repayment issues.

Anticipated Completion Date: June 30, 2019

2018-030 Department of Environmental Quality
<u>Strengthen Controls over Costs Reclassified to the Federal Program</u>

Federal Awarding Agency:	Environmental Protection Agency
Program Title and CFDA Number:	Performance Partnership Grants (66.605)
Federal Award Numbers and Year:	00J56503; 2018
Compliance Requirement:	Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	$116,027 (known)

Criteria: 2 CFR 200.403(a)

Federal regulations require all costs charged to a program be necessary and reasonable for the performance of the federal award. The department did not verify that all costs charged to the Performance Partnership Grant were allowable costs.

When additional grant funds were awarded during the fiscal year, the department reclassified qualifying costs from the General Fund to the federal program. During testing we noted an instance where the same costs were transferred to the federal program more than once. We judgmentally selected two large reclassification entries and found duplicate transactions totaling $116,027, representing a 27% error rate in the tested transactions.

The department's process for reclassifying qualifying costs is overly complex and the department does not have effective controls in place to adequately identify duplicate costs.

We recommend department management improve the process and strengthen control over costs reclassified to the federal program to ensure duplicate charges are prevented.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
DEQ concurs with this finding.

DEQ has implemented additional controls to assure costs are not reclassified more than once. At the time an analyst identifies costs to be moved, a "query" has been developed and implemented to determine if the cost has been previously reclassified. The analyst will certify this verification. The accountant entering the journal entry has developed a second query, which will be run prior to entering the ACO, to validate that the expenditure was not previously reclassified.

DEQ has rewritten its process to indicate the analyst will validate the charge has not be reclassified. DEQ will be evaluating at a future date, the process for preparing the ACO (journal entry) and may change the process in its entirety the future.

Completed by: April 1, 2019

2018-031 Department of Environmental Quality
Improve Controls over Federal Financial Reporting

Federal Awarding Agency:	Environmental Protection Agency
Program Title and CFDA Number:	Performance Partnership Grants (66.605)
Federal Award Numbers and Year:	00J56503; 2018
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.303(a)

Federal regulations require federal financial reports include all activity of the reporting period, report according to federal reporting guidelines, and be supported by applicable accounting records. The department has not implemented sufficient controls to ensure amounts reported are accurate and supported by accounting records.

We identified errors in the Federal Financial Report (SF-425) and the MBE/WBE Participation Report (5700-52A).

Two SF-425 reports were submitted covering federal awards active during fiscal year 2018. We tested both of these reports and identified the following errors:

- Reporting guidelines state amounts reported within boxes 11a through 11f should relate only to indirect costs. Currently reported amounts include agency required match.
  - The fiscal year 2017 report overstated the amount reported in boxes 11d and 11e by $29,778,154 and $5,910,963, respectively
  - The fiscal year 2018 report overstated the amount reported in boxes 11d and 11e by $25,358,377 and $5,033,637, respectively for 2017 and $21,018,409 and $4,262,535, respectively for 2018.
- The fiscal year 2018 report understated the amount reported as the federal share of expenditures in box 10e by $2,190,641.
- The fiscal year 2018 report overstated the total federal share of indirect expenses in box 11f by $774,670.

The 5700-52A report was submitted covering federal awards active during fiscal year 2018. Federal reporting guidelines state this report should be submitted based on the federal fiscal year. Our testing found that the amount reported as total procurement in box 5c was calculated using state fiscal year 2017.

We recommend management work with their federal liaisons to correct the reports, and implement controls to ensure future reports contain accurate information, follow federal reporting guidelines, and are supported by accounting records.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
There were several elements to this finding:

A. "Understated the amount reported as the federal share of expenditures in box 10e by 2,190,641"

DEQ concurs with this portion of the finding. Indirect charges were not included in the calculation. DEQ will work with its federal partners to correct this report and modify its processes to reflect the correct procedure.

Completed by: May 1, 2019

B. "Reporting guidelines state amounts within box 11a through 11f should relate only to indirect costs. Currently reported amounts include agency required match."

DEQ disagrees with this portion of finding. DEQ bases the disagreement on the indirect rate agreement DEQ has with the EPA and information it has received from the EPA. In DEQ's application for an indirect rate, DEQ requested and received authorization to apply the indirect rate to "Direct Salaries and wages plus applicable fringe benefits" (copy attached) and did not differentiate between agency required match or federal dollars, and therefore applies its indirect *to all fund types, thus DEQ's base for indirect includes federal, other, lottery and general funds. Furthermore, in an email dated March 5, 2019 (attached) states: "BG00J56503 has match in Personnel/salary, the amount charge should reflect "the amount of indirect costs charged during the period" (BG00J56503 is the grant number).*

Additionally, in conversations held with the EPA, DEQ discussed how to correctly fill out this form. EPA stated items 11a-e includes all fund types, 11f is the federal portion only.

No Action Necessary

C. "Understated the amount of federal share of expenditures in box 10e by $2,190,641.

DEQ concurs with this portion of the finding. Two years of data were incorrectly included in 11f. DEQ will work with its federal partners to correct this report and develop on a secondary validation process.

Completed by: May 1, 2019

D. MBE/WBE (5700-25A) reporting period was incorrect.

DEQ concurs with the portion of the finding. DEQ used the state fiscal year, when the correct reporting period is the federal fiscal year. DEQ will document this and will work with federal partner so current and future reporting periods will be correct.

Completed by May 1, 2019

2018-032 Department of Education
<u>Implement Eligibility Standard in Subrecipient Maintenance of Effort Review</u>

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education (IDEA) Cluster (84.027; 84.173)
Federal Award Numbers and Year:	H027A150095; 2016, H173A150100; 2016, H027A160095; 2017, H173A160100; 2017, H027A170095; 2018, H173A170100; 2018
Compliance Requirement:	Level of Effort – Maintenance of Effort
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	Unknown

Criteria: 34 CFR 300.203(a)(1)

Federal regulations require the department ensure Local Education Agencies (LEA) meet maintenance of effort requirements to be eligible to receive subgrants. To meet maintenance of effort and eligibility standards for a subgrant, LEAs must budget at least the same amount of state and local funds as they spent on special education in the previous year.

The department has a process to review subrecipients' maintenance of effort, but the process does not consider subrecipients' budgeted funds as required by the eligibility standard in the federal regulation. The department's process compares LEAs' actual special education expenditures from the previous year to actual expenditures from the second preceding year. While the department is aware of the eligibility requirements, due to changes in key program staff, it had not implemented the tool for fiscal year 2018.

By not including the eligibility standard in its process of awarding subgrants, the department increases the risk that some LEAs could receive subgrants when they are not eligible for them, or some LEAs could be denied subgrants when they are eligible.

We recommend department management implement a process to include the eligibility standard when reviewing subrecipients' maintenance of effort to help ensure compliance with federal regulations.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
ODE agrees with this finding and recommendation to include the eligibility standard when reviewing subrecipients' maintenance of effort to help ensure compliance with federal regulation, and has identified the following corrective action:

ODE will revise the Local Education Agency (LEA) application for federal IDEA subgrants to require inclusion of the budgeted amounts to meet the eligibility standard. ODE will develop implementation procedures and provide staff training. ODE will distribute these applications to subrecipients with updated procedures in April 2019. LEAs will submit the completed applications to the department for review and approval in June 2019.

Our anticipated completion date is: June 30, 2019

2018-033 Department of Education
<u>Ensure Subrecipient Monitoring Includes Evaluation of Risk</u>

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education (IDEA) Cluster (84.027; 84.173)
Federal Award Numbers and Year:	H027A150095; 2016, H173A150100; 2016, H027A160095; 2017, H173A160100; 2017, H027A170095; 2018, H173A170100; 2018
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.331(b)

Federal regulations stipulate that pass-through entities must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

The department has developed a monitoring tool for assessing a subrecipient's risk of noncompliance; however, due to changes in key program staff, it had not implemented the tool for fiscal year 2018. As a result, we could not test whether the department was in compliance with specific subrecipient risk assessment requirements contained in the regulations.

Risk assessments help prioritize the selection of subrecipients for monitoring and guide the breadth and depth of procedures to be applied. Without this guidance, the department may not monitor subrecipients that have a higher risk of noncompliance.

We **recommend** department management establish effective internal controls to help ensure that the assessment of each subrecipient's risk of noncompliance is performed and adequately documented.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
ODE agrees with this finding and recommendation that assessment of each subrecipient's risk of noncompliance is performed and adequately documented and has identified the following corrective action to be implemented:

ODE will identify and implement a written schedule of monitoring and conduct the review according to the schedule using previously developed tools. ODE will complete a written report of each completed monitoring documenting the results of the risk evaluation tools, and any improvements or corrections required. All monitoring reports will be submitted to the Assistant Superintendent of Student Services for review and approval. Following approval, monitoring reports will be provided to districts and specify timelines for any responses. ODE will maintain documentation of the monitoring processes.

Our anticipated completion date is: June 30, 2019

2018-034 Department of Education
Ensure Subrecipient Monitoring Includes Federal Fiscal Requirements

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Special Education (IDEA) Cluster (84.027; 84.173)
Federal Award Numbers and Year:	H027A150095; 2016, H173A150100; 2016, H027A160095; 2017, H173A160100; 2017, H027A170095; 2018, H173A170100; 2018
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.331(d); 34 CFR 76.702

Federal regulations require the department ensure Local Education Agencies (LEA) are in compliance with special education program requirements to have accounting systems in place and internal controls adequate to administer the awards.

The department has a process to monitor and review LEAs' compliance with specific program requirements, but the process does not consider LEAs' accounting, internal control systems, and certain fiscal requirements such as reporting and procurement. The department has developed a fiscal monitoring tool; however, due to changes in key program staff, it had not implemented the tool for fiscal year 2018.

Without fiscal monitoring procedures, the department cannot ensure that LEAs have adequate accounting and internal control systems in place to comply with federal fiscal requirements.

We recommend department management implement fiscal monitoring processes that ensure subrecipients have accounting and internal control systems adequate to administer federal fiscal requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
ODE agrees with this finding and recommendation that fiscal monitoring ensure that subrecipients have implemented adequate accounting and internal control systems that meet all federal fiscal requirements. Our planned corrective action is as follows:

ODE will provide staff training on the existing monitoring tools, then implement fiscal monitoring in two phases. During Phase 1, occurring April 1 – June 30, the monitoring team will identify and review three district sites using the previously developed monitoring tools and collect district feedback. Results of these visits will inform a final revision to the monitoring tools in September for implementation during Phase 2.

Anticipated completion date: March 15, 2020

2018-035 Department of Education
<u>Strengthen Controls and Improve Documentation for Subrecipient Risk Assessments</u>

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Title I Grants to Local Educational Agencies (84.010)
Federal Award Numbers and Year:	S010A150037; 2016, S010A160037; 2017, S010A170037; 2018
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.331(b)

Federal regulations stipulate that pass-through entities must evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring related to the subaward.

The department could not provide documentation that risk assessments were performed for subrecipients as part of the determination of the nature and extent of procedures to be applied during monitoring. In addition, it was not evident that a formal process had been implemented for fiscal year 2018 to help ensure compliance with this regulation.

The department has experienced staff turnover in the Title 1 program, which may have contributed to this condition. Risk assessments help prioritize the selection of subrecipients for monitoring and guide the breadth and depth of procedures to be applied. Without this guidance, the department could miss monitoring subrecipients with a higher risk of noncompliance.

We recommend department management develop and implement internal controls to help ensure that risk assessments of subrecipients for monitoring purposes are performed and documented.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:
ODE agrees with this finding and recommendation that management establish effective internal controls to ensure that the assessment of each subrecipient's risk of noncompliance is performed and adequately documented. Our planned corrective action is as follows:

ODE will develop a rubric with risk of noncompliance as part of our determination of whom to monitor. The risk assessment rubric will align with ODE's Elementary and Secondary Education Act (ESEA) Monitoring Risk Assessment tool used by other Title programs. Management will implement a process that will ensure the risk assessment documentation is maintained.

Our anticipated completion date is: June 30, 2019

2018-036 Department of Education
Improve Accuracy of Subgrant Reductions for Subrecipients Not Meeting MOE

Federal Awarding Agency:	U.S. Department of Education
Program Title and CFDA Number:	Title I Grants to Local Educational Agencies (84.010)
Federal Award Numbers and Year:	S010A150037 - 15B; 2016, S010A160037 – 16B; 2017, S010A170037; 2018
Compliance Requirement:	Level of Effort – Maintenance of Effort
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 34 CFR 299.5; 20 USC 7901(b)

Federal regulations require that State Education Agencies (SEA) reduce subgrants to Local Education Agencies (LEA) that have not met maintenance of effort (MOE) requirements. More specifically, an LEA may receive its full allocation of funds only if the SEA finds that the LEA has expended the appropriate amount of state and local funds for program purposes. In addition, federal regulations restrict the types of expenditures the SEA may include when determining the LEA's compliance with MOE.

For the state fiscal year 2018, the department identified three LEAs that did not meet MOE and reduced their subgrants as required by federal regulations. However, when calculating the reductions, department personnel inadvertently made errors for two of the LEAs, causing reductions higher than they should have been. These errors resulted when capital outlay expenditures were included in the calculation of subgrant reductions. Federal regulations exclude capital outlay from expenditures totaled to meet MOE requirements.

Although the errors are small, a combined total of $450, it is important that subgrant reductions be calculated accurately. If not, LEAs may not receive the correct amount of program funds.

We recommend department management strengthen controls to help ensure reductions of subgrants to LEAs not meeting MOE are accurate.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

ODE agrees with this finding and recommendation that management should strengthen controls to help ensure reductions of subgrants to LEAs not meeting Maintenance of Effort (MOE) are accurate. Our planned corrective action is as follows:

ODE will strengthen our process over the calculation of MOE by ensuring updated protocols follow federal regulations, provide staff access to the data used for calculations, and provide staff training. ODE will also update subgrant allocations to factor the correct MOE calculation.

Our anticipated completion date is: June 30, 2019

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Department of Agriculture					
10.001	Agricultural Research_Basic and Applied Research		$ -	$ 13,612	$ 13,612
10.025	Plant and Animal Disease, Pest Control, and Animal Care		95,278	2,589,230	2,684,508
10.028	Wildlife Services		-	24,796	24,796
10.069	Conservation Reserve Program		194,562	6,000	200,562
10.093	Voluntary Public Access and Habitat Incentive Program		-	236,192	236,192
10.170	Specialty Crop Block Grant Program - Farm Bill		897,224	466,736	1,363,960
10.171	Organic Certification Cost Share Programs		-	244,095	244,095
10.290	Agricultural Market and Economic Research		-	*130,889*	
	Pass Through From: USDA Forest Service	99999999999		*1,733*	
	Total 10.290				132,622
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		17,179,074	43,810,111	60,989,185
10.558	Child and Adult Care Food Program		35,516,318	752,840	36,269,158
10.560	State Administrative Expenses for Child Nutrition		357,847	3,034,663	3,392,510
10.574	Team Nutrition Grants		-	69,459	69,459
10.575	Farm to School Grant Program		8,152	40,575	48,727
10.576	Senior Farmers Market Nutrition Program		-	824,401	824,401
10.578	WIC Grants to States (WGS)		10,586	-	10,586
10.579	Child Nutrition Discretionary Grants Limited Availability		188,365	2,875,255	3,063,620
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants		-	70,623	70,623
10.582	Fresh Fruit and Vegetable Program		2,710,304	9,959	2,720,263
10.604	Technical Assistance for Specialty Crops Program		-	149,695	149,695
10.652	Forestry Research		-	42,809	42,809
10.664	Cooperative Forestry Assistance		*279,231*	*4,082,939*	
	Pass Through From: USDA Forest Service	1939999999		*1,435*	
	Total 10.664				4,363,605
10.674	Wood Utilization Assistance		-	73,710	73,710
10.676	Forest Legacy Program		-	50,536	50,536
10.678	Forest Stewardship Program		-	211,421	211,421
10.680	Forest Health Protection		-	720,119	720,119

10.691	Good Neighbor Authority		-	513,389	513,389
10.868	Rural Energy for America Program		-	20,911	20,911
10.902	Soil and Water Conservation		-	530,443	530,443
10.U01	15PA11060400016		-	10,498	10,498
10.U02	2014CS11061500006		-	28,512	28,512
10.U03	68 0426 16 0023		-	225,084	225,084
10.U04	SPA 17GN11061600023		-	4,040	4,040
10.U05	SPA 17GN11061600024		-	5,882	5,882
10.U06	WRP66043617015		-	16,670	16,670
SNAP Cluster					
10.551	Supplemental Nutrition Assistance Program		$ -	$ 956,906,449	$ 956,906,449
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		65,700	97,543,915	97,609,615
Total SNAP Cluster			**$ 65,700**	**$ 1,054,450,364**	**$ 1,054,516,064**
Child Nutrition Cluster					
10.553	School Breakfast Program		$ 39,757,860	$ 375,976	$ 40,133,836
10.555	National School Lunch Program		131,734,078	612,956	132,347,034
10.556	Special Milk Program for Children		83,463	56	83,519
10.559	Summer Food Service Program for Children		5,711,434	2,974,091	8,685,525
Total Child Nutrition Cluster			**$ 177,286,835**	**$ 3,963,079**	**$ 181,249,914**
Food Distribution Cluster					
10.565	Commodity Supplemental Food Program		$ 762,340	$ -	$ 762,340
10.568	Emergency Food Assistance Program (Administrative Costs)		1,194,665	416,455	1,611,120
10.569	Emergency Food Assistance Program (Food Commodities)		7,455,859	-	7,455,859
Total Food Distribution Cluster			**$ 9,412,864**	**$ 416,455**	**$ 9,829,319**
Total Department of Agriculture			**$ 244,202,340**	**$ 1,120,719,160**	**$ 1,364,921,500**
Department of Commerce					
11.008	NOAA Mission-Related Education Awards		$ -	$ 39,357	$ 39,357
11.012	Integrated Ocean Observing System (IOOS)		-	-	
	Pass Through From: University of Washington	1916001537		*68,195*	
	Pass Through From: University of Washington	700000000		*13,540*	
	Total 11.012				81,735

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
11.407	Interjurisdictional Fisheries Act of 1986		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*159,027*	
	Total 11.407				159,027
11.419	Coastal Zone Management Administration Awards		*25,744*	*1,525,114*	
	Pass Through From: Regents of the University of Michigan	138600630		*131,736*	
	Total 11.419				1,682,594
11.420	Coastal Zone Management Estuarine Research Reserves		273,559	645,457	919,016
11.436	Columbia River Fisheries Development Program		-	6,106,750	6,106,750
11.437	Pacific Fisheries Data Program		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*1,412,728*	
	Total 11.437				1,412,728
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		*5,751,292*	*7,781,797*	
	Pass Through From: Pacific Salmon Commission	9909840528		*108,121*	
	Total 11.438				13,641,210
11.439	Marine Mammal Data Program		-	*41,112*	
	Pass Through From: Pacific States Marine Fish Com	936002376		*921,721*	
	Total 11.439				962,833
11.441	Regional Fishery Management Councils		-	-	
	Pass Through From: North Pacific Fishery Mgmt Con	920060367		*62,347*	
	Pass Through From: Pacific Fishery Mgmt Council	910982918		*146,639*	
	Total 11.441				208,986
11.467	Meteorologic and Hydrologic Modernization Development		-	327,554	327,554
11.472	Unallied Science Program		-	82,569	82,569
11.473	Office for Coastal Management		-	4,610	4,610
11.478	Center for Sponsored Coastal Ocean Research_Coastal Ocean Program		-	38,228	38,228
11.549	State and Local Implementation Grant Program		-	171,091	171,091

11.U01	1810G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*5,262*	
	Total 11.U01				5,262
11.U02	2011SSBCIOR		(5,700)	-	(5,700)
Economic Development Cluster					
11.307	Economic Adjustment Assistance		$ -	$ 8,248,880	$ 8,248,880
Total Economic Development Cluster			**$ -**	**$ 8,248,880**	**$ 8,248,880**
Research and Development Cluster					
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Programs		$ -	$ 17,990	$ 17,990
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes		-	*31,706*	
	Pass Through From: Oregon State University	NB244R-A		*17,587*	
	Total 11.432				49,293
11.U03	RA-133F-16-SE-1385		-	9,339	9,339
Total Research and Development Cluster			**$ -**	**$ 76,622**	**$ 76,622**
Total Department of Commerce			**$ 6,044,895**	**$ 28,118,457**	**$ 34,163,352**
Department of Defense					
12.106	Flood Control Projects		$ 25,194	$ 656,711	$ 681,905
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		-	63,353	63,353
12.401	National Guard Military Operations and Maintenance (O&M)		-	57,319,897	57,319,897
12.404	National Guard ChalleNGe Program		-	5,040,409	5,040,409
12.U01	1000		-	281,850	281,850
12.U02	W911SR1320002		-	121,329	121,329
12.U03	W9127N 12 2 0005		-	26,470	26,470
12.U04	W9127N 122 0004 1013		-	114,537	114,537
12.U05	W9127N10200080032		-	1,454	1,454
12.U06	W9127N10200080033		-	28,371	28,371
12.U07	W9127N10200080035		-	3,608	3,608
12.U08	W9127N10200080036		-	73,166	73,166
12.U09	W9127N10200080037		-	220,778	220,778
12.U10	W9127N12200043015		-	54,706	54,706

The accompanying notes are an integral part of this schedule.

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
12.U11	W9127N12200044001		-	673,702	673,702
12.U12	W9127N12200044002		-	391,347	391,347
12.U13	W9127N12200044003		-	612,913	612,913
12.U14	W9127N12200044004		-	55,558	55,558
12.U15	W9127N12200044005		-	115,234	115,234
12.U16	W9127N12200044006		-	37,732	37,732
12.U17	W9127N12200044007		-	406,562	406,562
12.U18	W9127N12200044008		-	62,241	62,241
12.U19	W9127N12200044009		-	207,540	207,540
12.U20	W9127N12200044010		-	93,679	93,679
12.U21	W9127N12200044014		-	66,312	66,312
12.U22	W9127N12200044015		-	1,674	1,674
12.U23	W9127N12200044018		-	43,526	43,526
12.U24	W9127N12200044020		-	29,307	29,307
12.U25	W9127N12200044021		-	25,223	25,223
12.U26	W9127N12200044022		-	24,999	24,999
12.U27	W9127N1320002		-	14,986	14,986
12.U28	W9127N14200080004		-	201,828	201,828
Total Department of Defense			**$ 25,194**	**$ 67,071,002**	**$ 67,096,196**
Department of Housing and Urban Development					
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		$ 11,548,854	$ 284,377	$ 11,833,231
14.231	Emergency Solutions Grants Program		1,718,000	63,960	1,781,960
14.235	Supportive Housing Program		-	80,992	80,992
14.239	Home Investment Partnerships Program		1,512,187	5,002,601	6,514,788
14.241	Housing Opportunities for Persons with AIDS		360,139	752,897	1,113,036
14.275	Housing Trust Fund		-	25,951	25,951
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities		-	19,193	19,193
14.U01	B08DN410001		615,901	53,069	668,970
Total Department of Housing and Urban Development			**$ 15,755,081**	**$ 6,283,040**	**$ 22,038,121**

Department of the Interior					
15.214	Non-Sale Disposals of Mineral Material		$ 46,852	$ -	$ 46,852
15.225	Recreation Resource Management		159,876	34,172	194,048
15.227	Distribution of Receipts to State and Local Governments		*194,296*	-	
	Pass Through From: Yamhill County	1936002318		*34,309*	
	Total 15.227				228,605
15.228	BLM Wildland Urban Interface Community Fire Assistance		11,989	-	11,989
15.230	Invasive and Noxious Plant Management		-	81,217	81,217
15.231	Fish, Wildlife and Plant Conservation Resource Management		-	414,273	414,273
15.234	Secure Rural Schools and Community Self-Determination		-	*44,059*	
	Pass Through From: Josephine County	1936002300		*75,652*	
	Total 15.234				119,711
15.236	Environmental Quality and Protection Resource Management		-	17,346	17,346
15.242	BLM Rural Fire Assistance		-	1,144	1,144
15.504	Title XVI Water Reclamation and Reuse Program		-	209,583	209,583
15.517	Fish and Wildlife Coordination Act		-	123,298	123,298
15.614	Coastal Wetlands Planning, Protection and Restoration		991,347	131,219	1,122,566
15.615	Cooperative Endangered Species Conservation Fund		133,474	1,467,954	1,601,428
15.616	Clean Vessel Act Program		150,461	184,460	334,921
15.622	Sportfishing and Boating Safety Act		2,641	16,058	18,699
15.626	Enhanced Hunter Education and Safety Program		63,271	41,394	104,665
15.630	Coastal		-	25,000	25,000
15.634	State Wildlife Grants		-	*1,031,842*	
	Pass Through From: Nevada Department of Wildlife	886000022		*10,853*	
	Total 15.634				1,042,695
15.657	Endangered Species Conservation - Recovery Implementation Funds		-	246,437	246,437
15.661	Lower Snake River Compensation Plan		-	5,137,026	5,137,026
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention		28,997	-	28,997
15.807	Earthquake Hazards Research Grants		-	48,500	48,500
15.808	U.S. Geological Survey_Research and Data Collection		-	215,583	215,583
15.810	National Cooperative Geologic Mapping		-	165,180	165,180
15.817	National Geospatial Program: Building The National Map		-	162,818	162,818

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number		Passed-Through to Subrecipients		Direct Expenditures		Total Program / Cluster Expenditures
15.904	Historic Preservation Fund Grants-In-Aid			132,526		709,290		841,816
15.916	Outdoor Recreation_Acquisition, Development and Planning			*1,191,102*		*215,359*		
	Pass Through From: USDA Forest Service	1939999999				*106,111*		
	Total 15.916							1,512,572
15.U01	F15AC00767			-		4,586		4,586
15.U02	F17AC00448			-		9,411		9,411
15.U03	F17AC00449			-		4,754		4,754
15.U04	L12AC20634			-		50,008		50,008
15.U05	L16AC00352			-		10,678		10,678
15.U06	LOPTX			-		673		673
15.U07	P15AP01111			36,876		-		36,876
15.U08	P16AP00123			23,696		-		23,696
15.U09	R13AP13007			-		17		17
15.U10	R13AP13007A			-		184,723		184,723
15.U11	USFW AGMT NAT HERIT			-		149,230		149,230
Fish and Wildlife Cluster								
15.605	Sport Fish Restoration Program		$	1,115,383	$	7,452,253	$	8,567,636
15.611	Wildlife Restoration and Basic Hunter Education			3,801		14,213,840		14,217,641
Total Fish and Wildlife Cluster			**$**	**1,119,184**	**$**	**21,666,093**	**$**	**22,785,277**
Total Department of the Interior			**$**	**4,286,588**	**$**	**33,030,310**	**$**	**37,316,898**
Department of Justice								
16.017	Sexual Assault Services Formula Program		$	298,602	$	16,239	$	314,841
16.021	Justice Systems Response to Families			-		145,400		145,400
16.321	Antiterrorism Emergency Reserve			416,163		156,807		572,970
16.523	Juvenile Accountability Block Grants			66,140		-		66,140
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States			166,621		157,892		324,513
16.543	Missing Children's Assistance			-		377,212		377,212
16.550	State Justice Statistics Program for Statistical Analysis Centers			-		85,185		85,185
16.554	National Criminal History Improvement Program (NCHIP)			-		1,945,741		1,945,741
16.575	Crime Victim Assistance			14,716,910		1,022,503		15,739,413
16.576	Crime Victim Compensation			-		1,588,456		1,588,456

16.582	Crime Victim Assistance/Discretionary Grants		*161,345*	*32,676*	
	Pass Through From: Natl Assoc VOCA Asst Administr	1682		*4,948*	
	Total 16.582				198,969
16.585	Drug Court Discretionary Grant Program		-	-	
	Pass Through From: Harney County	1023		*13,416*	
	Pass Through From: Josephine County	1018		*24,646*	
	Total 16.585				38,062
16.588	Violence Against Women Formula Grants		1,461,770	244,625	1,706,395
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		-	-	
	Pass Through From: Clackamas Women's Services	1045		*61,955*	
	Total 16.590				61,955
16.593	Residential Substance Abuse Treatment for State Prisoners		189,981	12,733	202,714
16.595	Community Capacity Development Office		-	204,374	204,374
16.738	Edward Byrne Memorial Justice Assistance Grant Program		*2,218,718*	*2,033,063*	
	Pass Through From: Multnomah County	40000000010		*3,700*	
	Pass Through From: Wallowa County	1048		*6,725*	
	Pass Through From: Criminal Justice Commission	1039		*383,324*	
	Pass Through From: Mid-Willamette Val Commaction	1031		*6,063*	
	Pass Through From: Lincoln County	1028		*50,322*	
	Pass Through From: Multnomah County	1020		*148,543*	
	Pass Through From: Crook County	1015		*114,778*	
	Pass Through From: Linn County	1009		*52,825*	
	Total 16.738				5,018,061
16.741	DNA Backlog Reduction Program		-	660,608	660,608
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		-	104,506	104,506
16.750	Support for Adam Walsh Act Implementation Grant Program		-	389,065	389,065
16.751	Edward Byrne Memorial Competitive Grant Program		-	159,795	159,795
16.754	Harold Rogers Prescription Drug Monitoring Program		-	1	1
16.813	NICS Act Record Improvement Program		-	632,912	632,912
16.816	John R. Justice Prosecutors and Defenders Incentive Act		-	38,488	38,488

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
16.827	Justice Reinvestment Initiative		614,400	97,081	711,481
16.922	Equitable Sharing Program		-	(1,044)	(1,044)
Total Department of Justice			**$ 20,310,650**	**$ 10,975,563**	**$ 31,286,213**
Department of Labor					
17.002	Labor Force Statistics		$ -	$ 1,271,819	$ 1,271,819
17.005	Compensation and Working Conditions		-	150,480	150,480
17.225	ARRA - Unemployment Insurance		-	1,087,865	1,087,865
17.225	Unemployment Insurance		-	586,450,296	586,450,296
17.235	Senior Community Service Employment Program		1,132,966	21,567	1,154,533
17.245	Trade Adjustment Assistance		-	11,702,492	11,702,492
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects		-	48,619	48,619
17.268	H-1B Job Training Grants		208,712	145,286	353,998
17.270	Reintegration of Ex-Offenders		-	-	
	Pass Through From:	37000		*36,832*	
	Total 17.270				36,832
17.271	Work Opportunity Tax Credit Program (WOTC)		-	256,644	256,644
17.273	Temporary Labor Certification for Foreign Workers		-	159,224	159,224
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants		2,044,593	412,850	2,457,443
17.281	WIO/WIOA Dislocated Worker National Reserve Technical Assistance and Training		-	9,204	9,204
17.285	Apprenticeship USA Grants		670,786	182,759	853,545
17.503	Occupational Safety and Health - State Program		-	5,617,457	5,617,457
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities		$ -	$ 17,524,745	$ 17,524,745
17.801	Disabled Veterans' Outreach Program (DVOP)		-	2,781,380	2,781,380
Total Employment Service Cluster			**$ -**	**$ 20,306,125**	**$ 20,306,125**

WIOA Cluster					
17.258	WIA/WIOA Adult Program		$ 9,371,336	$ 852,622	$ 10,223,958
17.259	WIA/WIOA Youth Activities		10,235,009	699,173	10,934,182
17.278	WIA/WIOA Dislocated Worker Formula Grants		10,283,351	1,787,414	12,070,765
Total WIOA Cluster			**$ 29,889,696**	**$ 3,339,209**	**$ 33,228,905**
Total Department of Labor			**$ 33,946,753**	**$ 631,198,728**	**$ 665,145,481**
Department of Transportation					
20.106	Airport Improvement Program		$ -	$ 5,016,420	$ 5,016,420
20.200	Highway Research and Development Program		308,324	-	308,324
20.301	Railroad Safety		-	33,769	33,769
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants		1,097,134	93,091	1,190,225
20.321	Railroad Safety Technology Grants		-	71,763	71,763
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		*264,265*	*34,535*	
	Pass Through From: Oregon State University	1611730890 4		*848*	
	Pass Through From: Oregon State University	1611730890 3		*48,118*	
	Total 20.505				347,766
20.509	Formula Grants for Rural Areas		11,276,503	75,275	11,351,778
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program		-	531,608	531,608
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		853,365	445,287	1,298,652
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		-	85,811	85,811
20.700	Pipeline Safety Program State Base Grant		-	493,580	493,580
20.703	Interagency Hazardous Materials Public Sector Training and planning Grants		92,429	157,722	250,151
Highway Planning and Construction Cluster					
20.205	Highway Planning and Construction		$ 31,805,393	$ 457,111,234	$ 488,916,627
20.219	Recreational Trails Program		1,684,875	238,912	1,923,787
20.224	Federal Lands Access Program		96,177	119,870	216,047
Total Highway Planning and Construction Cluster			**$ 33,586,445**	**$ 457,470,016**	**$ 491,056,461**

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
Federal Transit Cluster					
20.507	Federal Transit_Formula Grants		$ -	$ 111,543	$ 111,543
20.526	Bus and Bus Facilities Formula Program		2,322,853	-	2,322,853
Total Federal Transit Cluster			**$ 2,322,853**	**$ 111,543**	**$ 2,434,396**
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		$ 11,718,901	$ 1,002,376	$ 12,721,277
Total Transit Services Programs Cluster			**$ 11,718,901**	**$ 1,002,376**	**$ 12,721,277**
Highway Safety Cluster					
20.600	State and Community Highway Safety		$ 1,091,869	$ 1,771,103	$ 2,862,972
20.611	Incentive Grant Program to Prohibit Racial Profiling		-	102,658	102,658
20.616	National Priority Safety Programs		1,347,161	1,686,760	3,033,921
Total Highway Safety Cluster			**$ 2,439,030**	**$ 3,560,521**	**$ 5,999,551**
Total Department of Transportation			**$ 63,959,249**	**$ 469,232,283**	**$ 533,191,532**
Department of the Treasury					
21.U01	2011SSBCIOR		$ 5,700	$ -	$ 5,700
21.U02	ASSET FORFEITURE		-	61	61
21.U03	NFMC		31,200	-	31,200
21.U04	PROJECT REINVEST		145,664	72,876	218,540
Total Department of the Treasury			**$ 182,564**	**$ 72,937**	**$ 255,501**
Equal Employment Opportunity Commission					
30.001	Employment Discrimination - Title VII of the Civil Rights Act of 1964		$ -	$ 376,783	$ 376,783
Total Equal Employment Opportunity Commission			**$ -**	**$ 376,783**	**$ 376,783**
General Services Administration					
39.002	Disposal of Federal Surplus Real Property		$ 34,089	$ -	$ 34,089
39.003	Donation of Federal Surplus Personal Property		1,416,233	139,326	1,555,559
Total General Services Administration			**$ 1,450,322**	**$ 139,326**	**$ 1,589,648**

National Endowment for the Arts				
45.025	Promotion of the Arts_Partnership Agreements	$ 696,279	$ 24,980	$ 721,259
Total National Endowment for the Arts		**$ 696,279**	**$ 24,980**	**$ 721,259**
Institute Of Museum and Library Services				
45.310	Grants to States	$ 661,556	$ 1,342,909	$ 2,004,465
Total Institute Of Museum and Library Services		**$ 661,556**	**$ 1,342,909**	**$ 2,004,465**
Small Business Administration				
59.061	State Trade Expansion	$ 393,905	$ 93,847	$ 487,752
Total Small Business Administration		**$ 393,905**	**$ 93,847**	**$ 487,752**
Department of Veterans Affairs				
64.005	Grants to States for Construction of State Home Facilities	$ -	$ 2,769,297	$ 2,769,297
64.015	Veterans State Nursing Home Care	-	20,228,692	20,228,692
64.035	Veterans Transportation Program	452,963	53,730	506,693
64.053	Payments to States for Programs to Promote the Hiring and Retention of Nurses At State Veterans Homes	-	23,638	23,638
64.U01	231301	-	586	586
Total Department of Veterans Affairs		**$ 452,963**	**$ 23,075,943**	**$ 23,528,906**
Environmental Protection Agency				
66.032	State Indoor Radon Grants	$ -	$ 75,649	$ 75,649
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	40,168	834,918	875,086
66.040	State Clean Diesel Grant Program	219,804	5,618	225,422
66.432	State Public Water System Supervision	476,620	1,070,544	1,547,164
66.454	Water Quality Management Planning	-	151,000	151,000
66.460	Nonpoint Source Implementation Grants	408,531	51,162	459,693
66.461	Regional Wetland Program Development Grants	-	171,046	171,046
66.472	Beach Monitoring and Notification Program Implementation Grants	-	139,001	139,001
66.605	Performance Partnership Grants	5,000	10,382,156	10,387,156
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	36,000	45,596	81,596
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	-	445,144	445,144
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	-	221,745	221,745
66.708	Pollution Prevention Grants Program	47,114	37,523	84,637

The accompanying notes are an integral part of this schedule.

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		-	438,744	438,744
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		-	379,572	379,572
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		-	1,054,000	1,054,000
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		-	93,267	93,267
66.817	State and Tribal Response Program Grants		-	1,040,130	1,040,130
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		127,962	19,652	147,614
Clean Water State Revolving Fund Cluster					
66.458	Capitalization Grants for Clean Water State Revolving Funds		$ 14,809,807	$ -	$ 14,809,807
Total Clean Water State Revolving Fund Cluster			**$ 14,809,807**	**$ -**	**$ 14,809,807**
Drinking Water State Revolving Fund Cluster					
66.468	Capitalization Grants for Drinking Water State Revolving Funds		$ 12,627,008	$ 3,517,630	$ 16,144,638
Total Drinking Water State Revolving Fund Cluster			**$ 12,627,008**	**$ 3,517,630**	**$ 16,144,638**
Total Environmental Protection Agency			**$ 28,798,014**	**$ 20,174,097**	**$ 48,972,111**
Department of Energy					
81.041	State Energy Program		$ -	$ 488,564	$ 488,564
81.042	Weatherization Assistance for Low-Income Persons		2,542,379	301,381	2,843,760
81.087	Renewable Energy Research and Development		-	-	
	Pass Through From: Clean Energy Alliance	102	*91,604*		
	Total 81.087				91,604
81.104	Environmental Remediation and Waste Processing and Disposal		11,200	858,211	869,411
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions		-	-	
	Pass Through From: Western Governor's Alliance	45		*82,313*	
	Total 81.106				82,313

81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical		-	-	
	Pass Through From: WA State Dept of Commerce	6000		*9,528*	
	Total 81.117				9,528
81.119	State Energy Program Special Projects		-	-	
	Pass Through From: WA State Dept of Commerce	101		*5,038*	
	Total 81.119				5,038
81.U01	18 81G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*42,539*	
	Total 81.U01				42,539
81.U02	18105G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*373,158*	
	Total 81.U02				373,158
81.U03	18106G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*234,646*	
	Total 81.U03				234,646
81.U04	18115G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*753,011*	
	Total 81.U04				753,011
81.U05	1851G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*448,926*	
	Total 81.U05				448,926
81.U06	1879G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*16,408*	
	Total 81.U06				16,408
81.U07	1880G		-	-	
	Pass Through From: Pacific States Marine Fish Com	936002376		*101,618*	
	Total 81.U07				101,618

The accompanying notes are an integral part of this schedule.

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
81.U08	402 00		-	-	
	Pass Through From: Confed Tribes Umatilla Indian	930624734		*231,059*	
	Total 81.U08				231,059
81.U09	63178 1988 053 08		-	15,734	15,734
81.U10	70589		1,254,923	197,908	1,452,831
81.U11	71935		-	492,968	492,968
81.U12	73773		-	131,708	131,708
81.U13	74313		-	6,100,041	6,100,041
81.U14	74313REL04		-	23,311	23,311
81.U15	74313REL12		-	982,015	982,015
81.U16	74313REL16		-	1,333,920	1,333,920
81.U17	74313REL17		-	1,258,907	1,258,907
81.U18	74313REL18		-	421,882	421,882
81.U19	74313REL19		-	1,195	1,195
81.U20	74313REL20		-	189,040	189,040
81.U21	74313REL21		-	1,080,872	1,080,872
81.U22	74313REL22		-	1,138,441	1,138,441
81.U23	74313REL23		-	204,614	204,614
81.U24	74313REL24		-	158,570	158,570
81.U25	74313REL26		-	631,803	631,803
81.U26	74313REL27		-	182,659	182,659
81.U27	74313REL7		-	302,486	302,486
81.U28	74680		-	123,454	123,454
81.U29	75126		-	(267)	(267)
81.U30	75372		-	338,975	338,975
81.U31	75382		-	195,877	195,877
81.U32	75947		-	95,194	95,194
81.U33	T 17834 17		-	-	
	Pass Through From: Confed Tribes Warm Springs Ind	390383362		*38,636*	
	Total 81.U33				38,636

81.U34	T1816418		-	-	
	Pass Through From: Confed Tribes Warm Springs Ind	390383362		*13,992*	
	Total 81.U34				13,992
Total Department of Energy			**$ 3,900,106**	**$ 19,600,335**	**$ 23,500,441**
Department of Education					
84.002	Adult Education - Basic Grants to States		$ 4,242,456	$ 963,801	$ 5,206,257
84.010	Title I Grants to Local Educational Agencies		140,928,948	1,532,925	142,461,873
84.011	Migrant Education_State Grant Program		13,044,127	1,687,172	14,731,299
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		1,056,704	16,455	1,073,159
84.048	Career and Technical Education -- Basic Grants to States		11,283,454	1,984,541	13,267,995
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States		774,582	63,162,596	63,937,178
84.144	Migrant Education_Coordination Program		26,823	147,449	174,272
84.169	Independent Living_State Grants		-	24,382	24,382
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind		-	282,753	282,753
84.181	Special Education-Grants for Infants and Families		4,397,405	208,359	4,605,764
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		-	228,335	228,335
84.196	Education for Homeless Children and Youth		539,476	147,518	686,994
84.282	Charter Schools		1,348,251	78,536	1,426,787
84.287	Twenty-First Century Community Learning Centers		8,326,947	442,081	8,769,028
84.323	Special Education - State Personnel Development		279,726	244,570	524,296
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		-	-	
	Pass Through From: Kansas University for Research	1246000	*39,196*	*10,741*	
	Total 84.326				49,937
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		-	219,217	219,217
84.358	Rural Education		1,240,890	56,569	1,297,459
84.365	English Language Acquisition State Grants		6,565,993	399,189	6,965,182
84.366	Mathematics and Science Partnerships		963,413	16,470	979,883
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)		19,223,652	575,140	19,798,792

The accompanying notes are an integral part of this schedule.

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
84.368	Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)		-	*41,914*	
	Pass Through From: North Carolina Dept of Ed	3000		*19,562*	
	Total 84.368				61,476
84.369	Grants for State Assessments and Related Activities		-	7,400,326	7,400,326
84.377	School Improvement Grants		3,794,930	270,121	4,065,051
84.412	Race to the Top Early Learning Challenge		844,764	3,551,860	4,396,624
84.424	Student Support and Academic Enrichment Program		1,225,214	-	1,225,214
84.U01	73815		-	7,492	7,492
84.U02	77213		-	22,177	22,177
84.U03	EDIES14C0097		-	152,508	152,508
Special Education Cluster (IDEA)					
84.027	Special Education_Grants to States		$ 127,940,476	$ 6,513,583	$ 134,454,059
84.173	Special Education_Preschool Grants		3,418,607	112,144	3,530,751
Total Special Education Cluster (IDEA)			**$ 131,359,083**	**$ 6,625,727**	**$ 137,984,810**
Total Department of Education			**$ 351,506,034**	**$ 90,520,486**	**$ 442,026,520**
Elections Assistance Commission					
90.401	Help America Vote Act Requirements Payments		$ -	$ 1,253,090	$ 1,253,090
Total Elections Assistance Commission			**$ -**	**$ 1,253,090**	**$ 1,253,090**
Department of Health and Human Services					
93.041	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation		$ 28,090	$ 153	$ 28,243
93.042	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals		-	239,444	239,444
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services		187,030	-	187,030
93.048	Special Programs for the Aging_Title IV_and Title II_Discretionary Projects		121,464	465,625	587,089
93.052	National Family Caregiver Support, Title III, Part E		1,751,070	114,140	1,865,210
93.069	Public Health Emergency Preparedness		3,411,719	5,062,383	8,474,102

93.070	Environmental Public Health and Emergency Response		*132,530*	*1,325,868*	
	Pass Through From: Benton County	40000000025		*167,708*	
	Pass Through From: Multnomah County	40000000010		*77,689*	
	Total 93.070				1,703,795
93.071	Medicare Enrollment Assistance Program		210,539	7,821	218,360
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		-	169,694	169,694
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		93,222	211,496	304,718
93.082	Sodium Reduction in Communities		(8,743)	295,022	286,279
93.090	ARRA - Guardianship Assistance		-	(785)	(785)
93.090	Guardianship Assistance		-	8,075,935	8,075,935
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		411,948	344,312	756,260
93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants		-	-	
	Pass Through From: Worksystems Inc	37000		*78,012*	
	Total 93.093				78,012
93.103	Food and Drug Administration_Research		-	727,930	727,930
93.110	Maternal and Child Health Federal Consolidated Programs		-	*85,473*	
	Pass Through From: Asphn-Assn of Pblic Hlth Nutn	12980000		*230*	
	Total 93.110				85,703
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		102,079	558,397	660,476
93.127	Emergency Medical Services for Children		-	131,266	131,266
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		-	192,559	192,559
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention		-	-	
	Pass Through From: Oregon State University	30000000004		*41,611*	
	Total 93.135				41,611
93.136	Injury Prevention and Control Research and State and Community Based Programs		360,105	2,797,277	3,157,382
93.150	Projects for Assistance in Transition from Homelessness (PATH)		622,363	16,101	638,464
93.197	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children		-	241,906	241,906

The accompanying notes are an integral part of this schedule.

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.217	Family Planning_Services		2,347,204	660,993	3,008,197
93.235	Affordable Care Act (ACA) Abstinence Education Program		40,223	779,960	820,183
93.236	Grants to States to Support Oral Health Workforce Activities		339,693	284,391	624,084
93.240	State Capacity Building		-	461,014	461,014
93.241	State Rural Hospital Flexibility Program		-	-	
	Pass Through From: Oregon Health Sciences University	20000000011		*(4,407)*	
	Total 93.241				(4,407)
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance		*2,433,082*	*1,239,488*	
	Pass Through From: Benton County	1025		*14,052*	
	Total 93.243				3,686,622
93.251	Universal Newborn Hearing Screening		-	234,841	234,841
93.262	Occupational Safety and Health Program		263,110	(71,165)	191,945
93.268	Immunization Cooperative Agreements		-	46,695,254	46,695,254
93.270	Adult Viral Hepatitis Prevention and Control		-	140,103	140,103
93.275	Substance Abuse and Mental Health Services-Access to Recovery		-	2,451,269	2,451,269
93.279	Drug Abuse and Addiction Research Programs		-	-	
	Pass Through From: Oregon Health Sciences University	20000000011		*52,080*	
	Total 93.279				52,080
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance		*21,234*	*916,549*	
	Pass Through From: Natl Assoc Chronic Dis Direct	40000000015		*491,716*	
	Total 93.283				1,429,499
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs - Financed in part by 2018 Prevention and Public Health funds (PPHF)		9,280	964,825	974,105
93.317	Emerging Infections Programs		137,927	1,793,638	1,931,565
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases		308,912	3,267,221	3,576,133
93.324	State Health Insurance Assistance Program		199,659	319,069	518,728
93.336	Behavioral Risk Factor Surveillance System		-	238,814	238,814

93.369	ACL Independent Living State Grants		-	419,217	419,217
93.424	NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations		-	-	
	Pass Through From: Cncl of St & Terr Eped (CSTE)	40000000027		*5,700*	
	Total 93.424				5,700
93.464	ACL Assistive Technology		347,291	5,000	352,291
93.500	Pregnancy Assistance Fund Program		306,709	306,470	613,179
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		-	1,158,393	1,158,393
93.517	Affordable Care Act – Aging and Disability Resource Center		-	178,782	178,782
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF		131,932	2,166,052	2,297,984
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		5,235	2,525,558	2,530,793
93.556	Promoting Safe and Stable Families		1,493,396	1,379,881	2,873,277
93.563	Child Support Enforcement		10,154,101	61,901,544	72,055,645
93.566	Refugee and Entrant Assistance_State Administered Programs		-	1,877,788	1,877,788
93.568	Low-Income Home Energy Assistance		34,722,941	1,714,591	36,437,532
93.569	Community Services Block Grant		5,368,965	181,813	5,550,778
93.579	U.S. Repatriation		-	424	424
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants		-	467,102	467,102
93.586	State Court Improvement Program		-	320,823	320,823
93.590	Community-Based Child Abuse Prevention Grants		-	3,056,405	3,056,405
93.597	Grants to States for Access and Visitation Programs		84,040	-	84,040
93.599	Chafee Education and Training Vouchers Program (ETV)		-	485,679	485,679
93.600	Head Start		-	113,986	113,986
93.601	Child Support Enforcement Demonstrations and Special Projects		-	50,256	50,256
93.603	Adoption Incentive Payments		-	189,359	189,359
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance		-	(651,058)	(651,058)
93.630	Developmental Disabilities Basic Support and Advocacy Grants		-	914,595	914,595
93.643	Children's Justice Grants to States		-	195,409	195,409
93.645	Stephanie Tubbs Jones Child Welfare Services Program		-	1,595,303	1,595,303
93.652	Adoption Opportunities		-	297,564	297,564

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018 (continued)

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
93.658	ARRA - Foster Care_Title IV-E		-	(2,480)	(2,480)
93.658	Foster Care_Title IV-E		2,975,848	98,794,837	101,770,685
93.659	ARRA - Adoption Assistance		-	347	347
93.659	Adoption Assistance		-	43,695,813	43,695,813
93.667	Social Services Block Grant		2,820,394	12,078,826	14,899,220
93.669	Child Abuse and Neglect State Grants		-	552,431	552,431
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		1,454,070	2,831	1,456,901
93.674	Chafee Foster Care Independence Program		-	2,317,409	2,317,409
93.719	Advance Interoperable Health Information Technology Services to Support Health Information Exchange		1,258,099	-	1,258,099
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF)		-	844,957	844,957
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)		-	202,513	202,513
93.747	Elder Abuse Prevention Interventions Program		-	-	
	Pass Through From: ABA	1044		*27,835*	
	Total 93.747				27,835
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)		46,208	1,606,424	1,652,632
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		150,408	1,075,043	1,225,451
93.767	ARRA - Children's Health Insurance Program		-	(47)	(47)
93.767	Children's Health Insurance Program		-	246,057,542	246,057,542
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		40,132	13,718	53,850
93.788	Opioid STR		2,821,506	534,521	3,356,027
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid		-	3,749,739	3,749,739
93.800	Organized Approaches to Increase Colorectal Cancer Screening		-	660,323	660,323
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		-	737,106	737,106

93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		76,059	2,903	78,962
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services		-	(759)	(759)
93.876	Antimicrobial Resistance Surveillance in Retail Food Specimens		-	109,987	109,987
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program		-	119,620	119,620
93.889	National Bioterrorism Hospital Preparedness Program		845,371	1,253,270	2,098,641
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		19,493	3,560,069	3,579,562
93.917	HIV Care Formula Grants		-	(623)	(623)
93.940	HIV Prevention Activities_Health Department Based		764,755	888,876	1,653,631
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		505,057	770,937	1,275,994
93.945	Assistance Programs for Chronic Disease Prevention and Control		55,248	1,117,335	1,172,583
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		-	166,951	166,951
93.958	Block Grants for Community Mental Health Services		5,079,945	1,044,398	6,124,343
93.959	Block Grants for Prevention and Treatment of Substance Abuse		17,647,532	813,611	18,461,143
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants		526	640,620	641,146
93.994	Maternal and Child Health Services Block Grant to the States		4,222,100	128,903	4,351,003
93.U01	HHSM500201100039C		-	106,336	106,336
Aging Cluster					
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers		$ 4,307,284	$ 318,241	$ 4,625,525
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services		7,833,674	314,584	8,148,258
93.053	Nutrition Services Incentive Program		1,746,282	16,358	1,762,640
Total Aging Cluster			**$ 13,887,240**	**$ 649,183**	**$ 14,536,423**
Maternal, Infant, and Early Childhood Home Visiting Cluster					
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		$ 2,719,624	$ 1,568,842	$ 4,288,466
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program		*3,035,487*	*1,291,055*	
	Pass Through From: State of WA Dept of Early Living	40000000026		*35,949*	
	Total 93.870				4,362,491
Total Maternal, Infant, and Early Childhood Home Visiting Cluster			**$ 5,755,111**	**$ 2,895,846**	**$ 8,650,957**

The accompanying notes are an integral part of this schedule.

Federal CFDA Number	Federal Grantor / Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed-Through to Subrecipients	Direct Expenditures	Total Program / Cluster Expenditures
TANF Cluster					
93.558	Temporary Assistance for Needy Families		$ 500,747	$ 204,907,135	$ 205,407,882
Total TANF Cluster			**$ 500,747**	**$ 204,907,135**	**$ 205,407,882**
CCDF Cluster					
93.575	Child Care and Development Block Grant		$ 5,239,562	$ 26,299,657	$ 31,539,219
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		4,444,627	25,546,567	29,991,194
Total CCDF Cluster			**$ 9,684,189**	**$ 51,846,224**	**$ 61,530,413**
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units		$ -	$ 2,128,340	$ 2,128,340
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		-	5,794,932	5,794,932
93.778	ARRA - Medical Assistance Program		-	32,622,720	32,622,720
93.778	Medical Assistance Program		-	7,234,728,665	7,234,728,665
Total Medicaid Cluster			**$ -**	**$ 7,275,274,657**	**$ 7,275,274,657**
Total Department of Health and Human Services			**$ 136,677,223**	**$ 8,122,529,940**	**$ 8,259,207,163**
Corporation For National and Community Service					
94.003	State Commissions		$ 116,175	$ 229,168	$ 345,343
94.006	AmeriCorps		2,322,786	14,211	2,336,997
94.009	Training and Technical Assistance		94,268	-	94,268
94.013	Volunteers in Service to America		-	29,941	29,941
Total Corporation For National and Community Service			**$ 2,533,229**	**$ 273,320**	**$ 2,806,549**
Office of National Drug Control Policy Reauthorization Act of 2006					
95.001	High Intensity Drug Trafficking Areas Program		$ -	$ 2,888,638	$ 2,888,638
Total Office of National Drug Control Policy Reauthorization Act of 2006			**$ -**	**$ 2,888,638**	**$ 2,888,638**

Social Security Administration				
96.008	Social Security - Work Incentives Planning and Assistance Program	$ -	$ 40,179	$ 40,179
Disability Insurance/SSI Cluster				
96.001	Social Security_Disability Insurance	-	28,652,669	28,652,669
Total Disability Insurance/SSI Cluster		**$ -**	**$ 28,652,669**	**$ 28,652,669**
Total Social Security Administration		**$ -**	**$ 28,692,848**	**$ 28,692,848**
Department of Homeland Security				
97.008	Non-Profit Security Program	$ 175,508	$ -	$ 175,508
97.012	Boating Safety Financial Assistance	1,682,151	261,534	1,943,685
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	-	189,334	189,334
97.029	Flood Mitigation Assistance	108,195	1,511,492	1,619,687
97.036	Disaster Grants - Public Assistance (Presidentially Declared	16,612,957	435,326	17,048,283
97.039	Hazard Mitigation Grant	302,846	54,548	357,394
97.041	National Dam Safety Program	-	112,385	112,385
97.042	Emergency Management Performance Grants	4,066,015	799,758	4,865,773
97.043	State Fire Training Systems Grants	-	20,000	20,000
97.044	Assistance to Firefighters Grant	-	376,617	376,617
97.045	Cooperating Technical Partners	-	1,291,613	1,291,613
97.046	Fire Management Assistance Grant	-	11,256,880	11,256,880
97.047	Pre-Disaster Mitigation	644,659	125,937	770,596
97.067	Homeland Security Grant Program	4,099,741	1,222,816	5,322,557
97.082	Earthquake Consortium	-	13,001	13,001
Total Department of Homeland Security		**$ 27,692,072**	**$ 17,671,241**	**$ 45,363,313**
Total Expenditures of Federal Awards		**$ 943,475,017**	**$ 10,695,359,263**	**$ 11,638,834,280**

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Note 1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Oregon and is presented using the bases of accounting of the originating funds. These include both the modified accrual and accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

The financial statements of the State of Oregon include all fund types for all agencies, boards, commissions, authorities, and courts that are legally part of the State's primary government and its component units. The Oregon Health and Science University (OHSU), University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Eastern Oregon University (EOU), Oregon Institute of Technology (OIT), Southern Oregon University (SOU), and Western Oregon University (WOU) are legally separate component units. For the year ended June 30, 2018, these component units have issued separate financial statements and have obtained a separate single audit as outlined in §200.514 of Uniform Guidance. Therefore, the accompanying schedule does not include the federal grant activity of these component units. A copy of these reports can be obtained from these institutions as follows:

OHSU, 2525 SW Third Avenue, Suite 245, Portland, Oregon 97201.
UO, PO Box 3237, Eugene, Oregon 97403.
OSU, 100 Kerr Administration Building, Corvallis, Oregon 97331.
PSU, 1600 SW 4th Ave, Suite 518, Portland, Oregon 97201.
WOU, 345 Monmouth Ave N, Monmouth, Oregon 97361.
SOU, 1250 Siskiyou Blvd, Ashland, Oregon 97520.
EOU, 1 University Blvd, La Grande, Oregon 97850.
OIT, 3201 Campus Dr, Klamath Falls, Oregon 97601.

The State of Oregon has not elected to use the 10 percent de minimis cost rates as covered in §200.414 “Indirect (F&A) costs” of Uniform Guidance.

Note 2. Programs Involving Non-Cash Assistance

Federal expenditures reported in the schedule include the following non-cash assistance programs. All values are either fair market value at the time of receipt or assessed value provided by the federal agency.

CFDA Number	Title	Type of Assistance	Value
10.555	National School Lunch Program	Commodities	$15,079,473
10.559	Summer Food Service Program for Children	Commodities	26,862
10.565	Commodity Supplemental Food Program	Commodities	463,865
10.569	Emergency Food Assistance Program	Commodities	7,455,859
39.003	Donation of Federal Surplus Personal Property	Donated Federal Surplus	1,555,560
93.268	Immunization Cooperative Agreements	Vaccines	44,420,959
	Total		$69,002,578

Note 3. Unemployment Insurance

State unemployment tax revenues and the other governmental, tribal and non-profit reimbursements in lieu of State taxes are deposited into the Unemployment Trust Fund in the U.S. Treasury. These funds may only be used to pay benefits under federally approved State unemployment law.

State unemployment insurance funds are included with federal funds in the total expenditures for CFDA 17.225 (Unemployment Insurance Program). Of the $587,538,160.63 reported as expenditures for the Unemployment Insurance program, $491,923,052.90 represented expenditures of State funds held in the Unemployment Trust Fund.

Note 4. Revolving Loan Fund (RLF) Grant (CFDA 11.307)

The Expenditures for the Revolving Loan Fund (RLF) Grant (CFDA 11.307) made during the year ended June 30, 2018 are calculated as follows:

1) Balance of RLF loans outstanding at the end of the fiscal year	$ 5,332,856
2) Cash and investment balance in the RLF at the end of fiscal year	5,653,589
3) Administrative expenses paid out of RLF income during the recipient's fiscal year	6,072
4) The unpaid principal of all loans written off during the fiscal year	0
Total	$ 10,992,517
5) The Federal Share of RLF (2,000,000/2,667,000)	75%
6) Federal Awards Expended during the fiscal year	$ 8,244,388

Prior Year Financial Statement Findings

This section includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2017. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2016 that were uncorrected at June 30, 2017.

Finding 2017-001: **Department of Human Services/Oregon Health Authority**
<u>Strengthen Review Procedures</u>
Significant Deficiency

Recommendation: Management ensure the transaction review process includes examination of proper coding and accounting periods.

Status: Partial corrective action taken. The agency response is as follows:

The agency updated its transaction review procedures with additional process steps to ensure that coding is correct and that transactions are posted to the correct fiscal year. These additional processes include reviewing the account balances after entries are posted to ensure the transaction had the correct effect, ensuring pass-through accounts are zero at the object level and not just at the fund level, and specifically noting when payroll transactions occur in two different fiscal years.

The agency will continue to refine year-end procedures to ensure they are complete, reducing coding issues and errors. The procedures that affected the findings in FY18 have been updated to ensure these errors do not occur in future years.

Finding 2017-002: **Department of Revenue**
<u>Improve Year-End Financial Procedures to Ensure Interfund Transactions are Balanced</u>
Significant Deficiency

Recommendation: Department management develop year-end accrual procedures to help ensure accurate and complete year-end financial reporting, which includes ensuring all interfund transactions are balanced.

Status: Partial corrective action taken. The agency response is as follows:

Vacant accounting positions have been filled and the creation of procedures is in progress. The Accounting team will utilize the Department of Administrative Services Statewide Accounting and Report Services analyst as a resource through this process. As staff are trained, checklists and peer reviews are being implemented. Upon completion, the checklist will be added to the performance tracking spreadsheet and the lead accountant or the accounting manager will be responsible for verifying the tasks have been completed. Arrangements were made for accounting staff to attend year-end training and additional trainings are being determined. Due to the turnover in the accounting unit, the corrective action plan was not completed by the initial anticipated completion date of June 30, 2018.

Anticipated Completion Date: December 31, 2018

Finding 2017-003: **Department of Revenue**
Perform and Review Key Cash Reconciliations on a Regular and Timely Basis
Significant Deficiency

Recommendation: Department management ensure all key cash reconciliations are completed consistently and timely and are separately reviewed and approved.

Status: Partial corrective action taken. The agency response is as follows:

Vacant accounting positions have been filled including a new accounting manager. Also hired was an experienced retiree in a limited duration position to train accountants, provide support and act as a resource for questions or areas of deficiency. Preparers and reviewers have been clearly defined and will be held accountable for reconciliations accordingly. Accountants have been enrolled in both GenTax and Statewide Financial Management System training in addition to internal resources. Training will be ongoing as available. While urgency in completion was expressed to the staff, importance was placed on training and accuracy of completion. Aside from timely completion of year-end tasks, the main focus for the accounting department continues to be on reconciliation completion. Finance has partnered with Revenue's internal auditors for an additional review of accounting practices and continue to partner through additional Secretary of State or external audit processes.

Anticipated Completion Date: June 30, 2019

Finding 2017-004: **Department of Revenue**
Strengthen Controls over System Access
Significant Deficiency

Recommendation: Department management ensure system access be thoroughly reviewed for employees changing positions within the department and system access rights be timely updated.

Status: Partial corrective action taken. The agency response is as follows:

The Department's Human Resources (HR) team has developed and implemented a termination checklist tool for managers to utilize during the separation process. HR has also listed this tool as a step on the Employee Lifecycle process on Rocket as a reminder to terminate accesses when an employee leaves the agency or changes positions. Finance managers are expected to utilize the checklist and to ensure all access is appropriately and timely terminated. The completed checklists are retained in the employee file. An access review procedure for Finance was written and implemented to enforce quarterly review of access involved with Finance duties and update access as necessary. Although the immediate concern has been resolved with regard to Finance, Agency efforts are ongoing to identify the best practice for timely access termination.

The Department's Information Technology (IT) department and Security Office are continuously evaluating the Request for Computer Access (RCA) process. Any new solutions or recommendations for efficiency will be presented to the Revenue Leadership Team (RLT) for their consideration. Furthermore, a new subgroup - the GenTax Security/RCA advisory group- which is comprised of managers has been created to work with managers across the agency to validate accesses needed for each position. This is in an effort to standardize access for each position to reduce the risk of inappropriate accesses being assigned to employees. This is a huge undertaking for the IT department and they are partnering with the IT Security team and the Department's internal auditors.

Anticipated Completion Date: December 31, 2018.

Finding 2017-005: **Oregon Military Department**
<u>Strengthen Financial Reporting over Federal Revenues</u>
Significant Deficiency

Recommendation: Department management ensure reporting of federal revenues and expenditures, including year-end accruals, is accurate, timely, and in the appropriate fund. We also recommend that management ensure accounting records and documentation contain sufficient detail to support the transactions recorded in the accounting system.

Status: Partial corrective action taken. The agency response is as follows:

Completed: OMD has strengthened financial reporting over federal revenues by developing processes and procedures to accurately and timely accrue, record, or transfer federal revenue into the appropriate fund.

Partially completed: To ensure all federal revenues and expenditures have a related federal grant number associated with it, OMD is in the process of identifying in the accounting records the federal grant number associated with all current federal fund PCAs. This action is anticipated to be completed by close of FY19.

Finding 2017-006: **Department of Environmental Quality**
<u>Check Handling Controls Need Improvement</u>
Significant Deficiency

Recommendation: Department management apply OAM controls over cash receipts and ensure all incoming checks are properly secured and restrictively endorsed immediately upon receipt.

Status: Corrective action taken.

Finding 2017-007: **Oregon Department of Forestry**
<u>Ensure Year-End Financial Reporting Procedures are Followed</u>
Significant Deficiency

Recommendation: Department management ensure the established procedures for year-end accrual entries are followed such that receivables and related uncollectible allowances are recorded in accordance with generally accepted accounting principles.

Status: Corrective action taken.

Finding 2017-008: **Oregon Department of Fish and Wildlife**
<u>Improve Process over SEFA Reporting</u>
Significant Deficiency

Recommendation: Department management ensure federal expenditures are correctly classified in the accounting records and the SEFA.

Status: Corrective action taken.

Finding 2017-009: **Oregon Liquor Control Commission**
<u>Strengthen Controls over System Access</u>
Significant Deficiency

Recommendation: Department management ensure access to its applications be reviewed regularly to confirm that employees have only the access they require for their jobs. We also recommend management ensure activity of users with excessive access be reviewed periodically.

Status: Partial corrective action taken. The agency response is as follows:

OLCC has assigned an Information Services Specialist 6, Information Systems Analyst, to review, quarterly, access to the following OLCC systems: Agent Revenue Management, Daily Sales, Merchandising Business, Non-Budget Vouchers, and Oregon Liquor Agent Services. The first quarterly review was performed on June 20, 2018. Results of the monitoring are communicated to the Assistant Director of Financial Services.

OLCC's Information Services Specialist 6, Informations Systems Analyst will monitor the frequency of logins on the systems for users with read/write access quarterly and send the results quarterly to the Assistant Director of Financial Services over Disbursements for review. There is no method currently available to the OLCC systems to track specific activity in these systems but the ISS6 can determine the frequency of logins. These reviews are also occurring quarterly with the first review performed on June 20, 2018.

Finding 2016-002: **Oregon Health Authority**
Strengthen Methodology for Drug Rebate Allowance
Significant Deficiency

Recommendation: Authority management strengthen its methodology to ensure a more accurate estimate of the collectability of drug rebates for the current period.

Status: Corrective action taken.

Finding 2016-005: **Oregon Business Development Department**
Improve Investment Financial Reporting Controls
Material Weakness

Recommendation: Department management

- Develop and implement a process to review existing investment partnerships' valuations for financial reporting purposes and document the review.
- At the direction of the Board, evaluate when an investment fund should be required to have audited financial statements and ensure agreements incorporate this requirement as applicable.

- Review the investment consultant's quarterly report and ensure it is complete based on the department's accounting records and other processes.
- Review the accounting records to ensure the records are consistently and accurately recorded and correct any existing errors in investment cost.
- Assume responsibility for recording the investment entries in the accounting records from the Department of Administrative Services.

Status: Partial corrective action taken. The agency response is as follows:

- OBDD fiscal staff along with the Capital Strategist have organized all of the electronic records and receive all reporting from the investment funds along with the consulting firm. We have written process and procedures for reviewing investment partnerships' valuations for financial reporting purposes on a quarterly basis. The process is completed; however, in application we are refining it to include a more robust review and documentation trail.
- At the May 23, 2017 board meeting, the Oregon Growth Board (OGB) unanimously approved the following motion:

  Move that the Oregon Growth Board adopt the following investment goals to comply with a recent Secretary of State's audit of the Oregon Growth Account:

  1. Set a long-term goal for getting the percentage of unaudited funds in the OGA portfolio to 10% or less.
  2. Set an annual plan for percentage of new capital committed to unaudited funds not to exceed:
     a. 2017 = 15%
     b. 2018 = 12.5%
     c. 2019 =10%
     d. Every year to follow = 10% or less

This recommendation has been completed by the OGB and the OBDD staff.

- The Finance Team at OBDD is directing all accounting entries and how they are entered by DAS regarding all OGA transactions. We are using backup documentation and our tracking spreadsheet to ensure that entries are accurately recorded. Also, work with the portfolio management consultant to reconcile every fund and agree on status as well, valuation.

Partial corrective action is taken this recommendation is still a work in progress.

- OBDD has worked with DAS to review and correct all prior entries that posted incorrectly and inadvertently affecting investment costs.

  This recommendation is a work in progress, we are just to the point of correcting each fund and will make any corrections needed timely in FY19 before yearend to ensure all funds are correct in the SEFA.

- Investment records (both hard copy and electronic copy) of documents have been received from Treasury to OBDD for investments they oversee the management of. We are working through correcting accounting entries with DAS before the movement of accounting related to investments of the OGA are transitioned to OBDD so that we have a clean transition. OBDD has been working on charting a transition plan with DAS. DAS currently has statutory authority over the Oregon Growth Account and will need legislative action to give that authority to OBDD. OBDD will also need budget in order to take over the OGA and is asking for that in Policy Option Package (POP) #116 within the 2019-21 Agency Request Budget (ARB). The POP was not recommended to go into the Governor's Budget.

  OBDD is asking for statutory changes to allow our agency the authority over the accounting of the OGA. This will likely happen in the 2019 Legislative Session.

This recommendation is also a work in progress.

Finding 2016-006: **Department of Revenue**
<u>Strengthen Procedures for Taxes Receivables and Accounts Payable Accruals</u>
Material Weakness

Recommendation: The department update policies and procedures related to the taxes receivable and accounts payable calculations, and provide relevant training to staff who are assigned to complete and review the calculations to ensure the calculations are complete and accurate.

Status: Partial corrective action taken. The agency response is as follows:

Finance is continuing to develop and review procedures and institute peer review processes. Vacant accountant positions have been filled and staff are tasked with learning and updating procedures as appropriate. Staff have received GenTax rollout 4 training. The Finance unit seeks additional training as available while utilizing state analyst partners as resources. Accounting manager is coordinating with Department of Administrative Services for additional training. Due to staff turnover, completion date of fall 2017 is no longer realistic as the Finance unit was not fully staffed until summer of 2018.

Anticipated Completion Date: June 30, 2019

Finding 2016-007: **Department of Revenue**
<u>Perform and Review Cash Reconciliations on a Regular and Timely Basis</u>
Significant Deficiency

Recommendation: Department management ensure cash accounts in its subsidiary accounting systems are consistently and timely reconciled to the state accounting system and that all cash reconciliations are separately reviewed and approved.

Status: Partial corrective action taken. The agency response is as follows:

Vacant accounting positions have been filled including a new accounting manager. Also hired was an experienced retiree in a limited duration position to train accountants, provide support and act as a resource for questions or areas of deficiency. Preparers and reviewers have been clearly defined and will be held accountable reconciliations accordingly. Accountants have been enrolled in both GenTax and Statewide Financial Management System training in addition to internal resources. Training will be ongoing as available. While urgency in completion was expressed to the staff, importance was placed on training and accuracy of completion. Aside from timely completion of year-end tasks, the main focus for the accounting department continues to be on reconciliation completion. Finance has partnered with Revenue's internal auditors for an additional review of accounting practices and continue to partner through additional Secretary of State or external audit processes.

Anticipated Completion Date: June 30, 2019

Finding 2016-008: **Department of Revenue**
<u>Improve Monitoring Controls to Ensure Revenues are Recorded to the Proper Period</u>
Significant Deficiency

Recommendation: Department management develop and implement effective monitoring procedures to ensure all accounting transactions are entered in the state accounting system in the proper period for financial reporting purposes.

Status: Partial corrective action taken. The agency response is as follows:

The Department has filled all vacant accounting positions and training is taking place. Peer reviews are in process through the training which is led by an experienced Accountant 4 retiree. Clear expectations and duties have been assigned to accountants which includes designations for review responsibilities at Accountant 4 level. Due to the turnover and reset that has occurred in the Accounting unit, additional time will be necessary for staff to be trained and processes to be fully in place.

Anticipated Completion Date: December 31, 2018

Finding 2016-009: **Department of Revenue**
Controls over System Access Need Strengthening
Significant Deficiency

Recommendation: Department management ensure employee system access be reviewed regularly and promptly revoked upon termination or updated upon transfer of employee responsibilities within the agency.

Status: Partial corrective action taken. The agency response is as follows:

The Department's Human Resources (HR) team has developed and implemented a termination checklist tool for managers to utilize during the separation process. HR has also listed this tool as a step on the Employee Lifecycle process on Rocket as a reminder to terminate accesses when an employee leaves the agency or changes positions. Finance managers are expected to utilize the checklist and to ensure all access is appropriately and timely terminated. The completed checklists are retained in the employee file. An access review procedure for Finance was written and implemented to enforce quarterly review of access involved with Finance duties and update access as necessary. Although the immediate concern has been resolved with regard to Finance, Agency efforts are ongoing to identify the best practice for timely access termination.

The Department's Information Technology (IT) department and Security Office are continuously evaluating the Request for Computer Access (RCA) process. Any new solutions or recommendations for efficiency will be presented to the Revenue Leadership Team (RLT) for their consideration. Furthermore, a new subgroup - the GenTax Security/RCA advisory group- which is comprised of managers has been created to work with managers across the agency to validate accesses needed for each position. This is in an effort to standardize access for each position to reduce the risk of inappropriate accesses being assigned to employees. This is a huge undertaking for the IT department and they are partnering with the IT Security team and the Department's internal auditors.

Anticipated Completion Date: December 31, 2018.

Finding 2016-011: **Department of Environmental Quality**
<u>Financial Services Controls Need Improvement</u>
Significant Deficiency

Recommendation: Department management strengthen its monitoring of internal control procedures to ensure revenue transactions and receivables are accurate and properly recorded in accordance with generally accepted accounting principles, and ensure proper safeguarding of cash receipts.

Status: Partial corrective action taken. The agency response is as follows:

Additional mail handling procedures were put in place that include restrictively endorsing all checks upon receipt and opening mail in dual custody. The federal revenue draw process was revised to include an additional review to ensure all requests for reimbursements are properly supported by expenditures; a reconciliation of databases that "lack built-in application controls," i.e. Microsoft Access databases, to the State's accounting system was implemented; and the accrual methodology for estimating charges for services revenue and receivables was revised to include all activities and balances. Additional reviews were also put in place to ensure the accuracy of year-end adjustments. DEQ will update its procedures to reflect the current process.

Anticipated Completion date: January 31, 2019

Finding 2016-012: **Higher Education Coordinating Commission**
<u>Distribution to Community Colleges – Accrual Process</u>
Material Weakness

Recommendation: Department management implement adequate processes that ensure year-end accruals for distributions for construction projects and Title II grant payments are properly and timely recorded in the accounting records.

Status: Partial corrective action taken. The agency response is as follows:

HECC Accounting staff is working with Budget and Procurement to ensure we have all information needed to complete management reports. These reports will allow accountants to know how much to accrue at year end. Due to the staffing shortage in Procurement and budget, these were not in place this year end. Accounting did accrue the contracts for Title II. In addition, we accrued the two community college bond payments that were made in FY19, but applied to FY18.

Finding 2016-013: **Higher Education Coordinating Commission**
Improve Processes over University Debt
Material Weakness

Recommendation: Department management finalize and document the processes and controls over the accounting and monitoring of the university debt related accounts.

Status: Corrective action taken.

Prior Year Federal Award Findings and Questioned Costs

This section includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2017. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2016 that were uncorrected at June 30, 2017.

Finding 2017-010: **Department of Human Services**
Child Welfare Systems Allows Claims Outside Period of Performance
Foster Care – Title IV-E (93.658)
Period of Performance
Material Weakness, Material Noncompliance

Recommendation: Department management continue to pursue system changes to OR-Kids to prevent transactions from reimbursing outside the period of performance. In the meantime, the department should develop a process to better identify transactions that are appropriate to net and transactions that should not be netted to ensure adjustments are reported appropriately.

Status: Partial corrective action taken. The agency response is as follows:

A report has been developed that will allow DHS to analyze increasing and decreasing adjustments, isolating increasing adjustments that fall outside the period of performance. DHS is no longer netting increases and decreases beginning with the filing of the June 30, 2018 CB-496 report.

Additionally, the analysis of reviewing all activity back to September 30, 2011 (27 quarters), to evaluate if any federal funds were improperly claimed beyond the two-year limit has been completed. Repayment from this analysis will be reported on the March 31, 2019 CB-496 report.

Finding 2017-011: **Department of Human Services**
Improve Contract Monitoring
Foster Care – Title IV-E (93.658)
Allowable Costs/Cost Principles
Material Weakness

Recommendation: Department management ensure adequate contract monitoring processes are in place to provide assurance that the department is receiving the services provided for in these waiver based contracts. We also recommend department management seek clarification regarding allocation of equal monthly payments among clients served and verify that startup costs, camp services, and pre-paid flexible funds are appropriate waiver expenditures.

Status: Partial corrective action taken. The agency response is as follows:

In December 2017, the Child Welfare Program authored a contract consistency proposal as the basis for a project currently underway with the support of the Office of Continuous Improvement. The goal of the project is to develop consistent understanding and application of contract-related rules and language, and put into place practices to address and eliminate issues raised by both this audit finding and findings in a 2018 internal audit report related to DHS Child Welfare contract administration. Work accomplished so far includes the development of standard recommended language for inclusion in contracts regarding acceptance criteria/reporting requirements and invoicing/payment terms, to increase consistency and ensure that services invoiced have been received. One expected outcome of the project will address oversight and coordination of contracts with providers that serve multiple districts, to ensure consistent rates and terms across the state. Completion of the contract consistency project is anticipated by December 31, 2019.

Further analysis from the CW Federal Policy and Resources Program confirmed that the current payment methodology and expenditures are in accordance with the IV-E waiver. Based on that analysis, the agency has determined there is no need for additional clarification from the Children's Bureau.

Finding 2017-012: **Department of Human Services**
<u>Improve Foster Care Provider Eligibility Documentation</u>
Foster Care – Title IV-E (93.658)
Eligibility
Significant Deficiency, Noncompliance
Questioned Costs: $3,487

Recommendation: Department management ensure all required documentation is completed timely, reviewed, and maintained, and that eligibility is determined appropriately. We also recommend department management reimburse the federal agency for costs paid related to ineligible providers.

Status: Partial corrective action taken. The agency response is as follows:

A correcting adjustment was entered into ORKIDS on March 28, 2018 to change the status to ineligible for the time period September 2016 – March 2017. This was reported on the 2018 Quarter 2 (1/1/18 – 3/31/18) CB-496 report on the following lines:

- Decreasing Line 44 (Phase 16): $198
- Decreasing Line 45 (Phase 17): $2224

A correcting adjustment was entered into ORKIDS on April 25, 2018 to change the status of children residing in the home to ineligible from March 14, 2016 – April 26, 2016. This was reported on the 2018 Quarter 3 (4/1/18 – 6/30/18) CB-496 report on the following line:

- Decreasing Line 1 (Phase 16): $1,065

As of 2/20/2019 the agency is in the final stages of development on a new OR-Kids report to track a child's eligibility status during a Temporary Certificate of Approval. The report has been designed and is pending testing and implementation by OIS. The report should be ready by May 1, 2019.

Finding 2017-013: **Department of Human Services/Oregon Health Authority**
<u>Financial Transaction Processing Errors in Child Welfare System</u>
Foster Care – Title IV-E (93.658)
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles
Material Weakness, Material Noncompliance
Questioned Costs: $92,486 (Foster Care); $45,339 (Medicaid)

Recommendation: Department management review OR-Kids transaction processing and make system modifications as appropriate to ensure proper financial reporting of program expenditures. We also recommend department management review prior year and current year transactions and reimburse the federal agency for grant expenditures claimed inappropriately.

Status: Partial corrective action taken. The agency response is as follows:

A report has been developed to identify adjustments that impact a state grant rather than the federal grant, and is in the final validation stage. Once the report is validated, the report will be used to accurately report federal expenditures. The new report will be used for the reporting period ending December 31, 2019.

Questioned costs in this finding will be repaid and reported on the March 31, 2019 CB-496. Actual amounts needing correction and repayment will be calculated based on the report for the period. Any remaining adjustments for previous quarters reported incorrectly will be reported on the federal report for the period ending December 31, 2019.

A change request for a system fix has been written. However, the date for the system fix is not yet determined.

Finding 2017-014: **Department of Human Services/Oregon Health Authority**
<u>**Ensure Medicaid Payments are Sufficiently Supported**</u>
Medicaid Cluster (93.777, 93.778)
Allowable Costs, Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: $33,928 (CFDA 93.778)

Recommendation: Management strengthen controls to verify applications exist during client eligibility redeterminations, perform timely eligibility redeterminations and verification of client resources, close benefits for clients no longer eligible, and ensure eligible clients are enrolled in both Medicare and Medicaid. We also recommend management correct all identified issues and reimburse the federal agency for unallowable costs.

Status: Partial corrective action taken. The agency response is as follows:

The individual who was enrolled in the wrong Medicaid program has had eligibility corrected in MMIS to show the correct Medicaid program for the affected period.

In response to the individual who was enrolled in a correctional facility, the agency has reviewed the identified issue and has taken partial action. Eligibility and related payments have been reversed from the MMIS system. Procedures and system updates are still being reviewed and implemented. The anticipated completion date is December 31, 2019.

$1,265 (FF $806) has been repaid and reported on 9/30/18 CMS64 report. Remaining questioned costs will be returned and reported on 3/31/19 CMS64 report.

Finding 2017-015: **Department of Human Services/Oregon Health Authority**
<u>**Improve Documentation for Provider Eligibility Determinations and Provider Revalidations**</u>
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance
Questioned Costs: $36,576

Recommendation: Management strengthen controls to ensure documentation supporting a provider's eligibility determination is retained. For current providers with missing documentation, we recommend the department verify they are eligible to provide services and obtain the necessary documentation.

Status: Partial corrective action taken. The agency response is as follows:

The Office of Developmental Disability Services (ODDS) has begun the process of amending the contract with PPL, the Fiscal Intermediary, to validate the I-9 forms prior to paying providers. We anticipate the completion of this amendment by September 1, 2018. In addition, ODDS has refinanced the three claims in question to reimburse the federal portion in the amount of $5,570.62.

The management of the Oregon Health Authority (OHA) Provider Support Services conducted specific database check training for enrollment staff between December 2017 and February 2018. The state will provide additional database check training beginning July 2018 as part of a second enrollment quality improvement plan and continues to pull quarterly, a missing database check report, to ensure all missing database checks are completed.

For the one provider that was the responsibility of the Aging and People with Disabilities program (APD), the department obtained a current completed I-9 form and confirmed the provider's eligibility; therefore, there are no questionable costs remaining for the APD program.

Finding 2017-016: **Department of Human Services**
<u>Improve Controls over Monthly Copay Calculations</u>
Child Care and Development Fund Cluster (CFDA 93.575, CFDA 93.596)
Allowable Costs
Significant Deficiency, Noncompliance
Questioned Costs: $1,939 (known), $259,126 (likely)

Recommendation: Department management ensure a client's monthly copay is correctly calculated and applications are retained. We also recommend department management reimburse the federal agency for unallowable costs.

Status: Partial corrective action taken. The agency response is as follows:

DHS completed the reimbursement to the federal agency for the known questioned costs of $1,939 on June 21, 2018.

Tools were developed and shared with field staff during the year in efforts to improve co-pay calculations and documentation. An ERDC mini-training was held in June 2018 to address such topics as ERDC copays and ERDC coding. On June 15, 2018, Child Care Policy reissued a transmittal to department staff as a reminder to reinforce the importance of increased accuracy in the ERDC program.

Quality Assurance also in collaboration with the policy team published another edition of an "Accuracy in Action" newsletter focusing on ERDC budgeting and child care hours. This issue, which was sent to field staff on March 15, 2018, included information referring to verifying income and hours, ERDC hours, marginal income, two parent working families, child support and ERDC, prospective eligibility, budgeting, and transitioning TANF to ERDC.

Although corrective actions have taken place, this finding will remain open due to errors identified in the fiscal year 2018 audit. BT174205 was completed 8/10/18 to reclass unallowable expenditures identified in the 2018 audit in the amount of $5,220.

Finding 2017-017: **Oregon Housing and Community Services**
<u>Fiscal Monitoring of Subrecipients Not Performed</u>
Low-Income Home Energy Assistance, CFDA 93.568
Subrecipient Monitoring
Material Weakness, Noncompliance
Questioned Costs: $450 (known)

Recommendation: Management ensure all subrecipients receive fiscal monitoring in accordance with the assessed risk level to ensure compliance with federal award requirements, and we recommend the department timely follow-up on all deficiencies detected during fiscal monitoring procedures.

Status: Corrective action taken.

Finding 2017-018: **Higher Education Coordinating Commission**
<u>Improve Controls over Subrecipient Monitoring</u>
WIA/WIOA Adult Program (17.258)
WIA/WIOA Youth Activities (17.259)
WIA/WIOA Dislocated Worker Formula Grants (17.278)
Subrecipient Monitoring
Material Weakness, Material Noncompliance

Recommendation: Management ensure that on-site subrecipient monitoring activities are timely and adequately documented to help ensure federal awards are used for authorized purposes. Furthermore, we recommend the department implement and consistently follow procedures to adequately document and timely communicate the results of their subrecipient audit report reviews.

Status: Corrective action taken.

Finding 2017-019: **Higher Education Coordinating Commission**
<u>Improve Controls over Payroll</u>
WIA/WIOA Adult Program (17.258)
WIA/WIOA Youth Activities (17.259)
WIA/WIOA Dislocated Worker Formula Grants (17.278)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: $89,535

Recommendation: Management timely review all timesheets to ensure employee time is appropriately coded for program purposes. We also recommend management reimburse the federal agency for unallowable costs.

Status: Partial corrective action taken. The agency response is as follows:

We agree with this finding. Since the original timecards were sampled in the audit, HECC has taken the responsibility for payroll processing from the Department of Administrative Services, and charged our Accounting Technicians with making sure that all timecards are approved in a timely manner. The agency also successfully worked with the U.S. Department of Labor (DOL) to identify stand-in costs to substitute for the unallowable costs and received a Final Determination notifying us that the matter had been successfully resolved. HECC payroll staff has also developed a PowerPoint presentation to train managers how to verify payroll coding and override the default settings when appropriate. The training has been delivered to the Operations Division where the mistakes occurred, and HECC is in the process of scheduling the training for other affected HECC units.

Finding 2017-020: **Higher Education Coordinating Commission**
<u>Improve controls over Contract Monitoring</u>
WIA/WIOA Adult Program (17.258)
WIA/WIOA Youth Activities (17.259)
WIA/WIOA Dislocated Worker Formula Grants (17.278)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: $125,365

Recommendation: Management improve controls over review of contract invoices to ensure they comply with contract terms, are mathematically accurate and correct rates are used. We also recommend the department obtain support to ensure the $125,365 is allowable.

Status: Corrective action taken.

Finding 2017-021: **Department of Education**
<u>Strengthen Controls over State per Pupil Expenditure Reporting</u>
Migrant Education Program (84.011)
Reporting
Significant Deficiency, Noncompliance
Questioned Costs: Unknown

Recommendation: Department management strengthen controls to ensure all Title 1 program expenditures are excluded from its annual SPPE calculation results. We also recommend management submit a corrected report to the U.S. Department of Education if required.

Status: Corrective action taken.

Finding 2017-022: **Department of Education**
<u>Improve Subrecipient Monitoring Procedures</u>
Migrant Education Program (84.011)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Management ensure subrecipient monitoring procedures include review of compliance with all applicable federal compliance requirements.

Status: Corrective action taken.

Finding 2017-023: **Department of Education**
<u>Subrecipient Risk Assessment Not Documented</u>
Migrant Education Program (84.011)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Department management establish effective internal controls to ensure that the assessment of each subrecipient’s risk of noncompliance is performed and adequately documented.

Status: Corrective action taken.

Finding 2017-024: **Department of Education**
<u>Ensure Desk Reviews Are Fully Documented</u>
Career and Technical Education (84.048)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Department management ensure written procedures are developed to guide the desk review process. We further recommend management ensure that the monitoring checklists are completed, desk reviews are thoroughly documented, and findings are prepared and communicated to subrecipients when necessary.

Status: Corrective action taken.

Finding 2017-025: **Department of Education**
<u>Improve Subrecipient Monitoring Procedures</u>
Twenty-First Century Community Learning Centers (84.287)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Department management ensure that subrecipients are monitored to verify compliance with federal requirements. We further recommend management retain documentation of the monitoring reviews performed.

Status: Corrective action taken.

Finding 2017-026: **Department of Education**
<u>Improve Accuracy of Maintenance of Effort Calculations</u>
Twenty-First Century Community Learning Centers (84.287)
Level of Effort – Maintenance of Effort
Significant Deficiency, Noncompliance

Recommendation: Department management ensure MOE calculations include only those financial expenditures allowed by federal regulations.

Status: Corrective action taken.

Finding 2017-027: **Department of Human Services**
<u>Strengthen Controls over Client Payments, Payroll Processes, and Cell Phone Review</u>
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: $60 (known)

Recommendation: Department management strengthen its controls to ensure appropriate expenditures are charged to the federal program and that timely reviews of client payments, monthly employee timesheets, and cell phone invoices are performed.

Status: No corrective action taken. The agency response is as follows:

The cell phone bill review has been with Business Integrity Consultants, and the systems access issue that initiated the problem was rectified during the FY17 audit.

Finding 2017-028: **Department of Human Services**
<u>Improve Controls over Federal Financial Reporting</u>
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Department management submit accurate RSA-2 reports and strengthen its controls over RSA-2 reports to ensure the reports are properly prepared, adequately supported, and properly reviewed.

Status: Partial corrective action taken. The agency response is as follows:

The Grant Accounting unit in the Office of Financial Services has adopted a new methodology for reporting hours and dollars based on payroll actuals. This was approved by the federal oversite agency Rehabilitation Services Administration (RSA) in July 2017. Additionally, the query used for the report has been adjusted to exclude the second payroll run for the prior fiscal year and include the second payroll run for the current fiscal year (October 16, 2015 to October 15, 2016). Grant Accounting will retain the data queries used to construct the report and review these with the Business Operations Manager for Vocational Rehabilitation prior to submission. The methodology is still being updated to address correct query limits to support accurate reporting.

Finding 2017-029: **Department of Human Services**
<u>Procurement Controls Not Always Followed and New Contracting System Not Reviewed</u>
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Procurement and Suspension and Debarment
Significant Deficiency, Noncompliance

Recommendation: Department management strengthen controls to ensure all procurement procedures are followed, including the verification of suspension and debarment for all contracts, and maintain supporting evidence for procedures performed. We further recommend department management create and implement review procedures over its new CSTAT system to ensure controls over procurement procedures are operating effectively.

Status: Partial corrective action taken. The agency response is as follows:

The Office of Contracts and Procurement (OC&P) has developed and implemented new electronic standards that require OC&P support to conduct the checks and make the initial entry in CSTAT and then the contract specialist is required to check the information for accuracy. In addition, the OC&P Compliance Manager has completed review of 2,037 contract files and will continue to review a sampling of the contracts moving forward.

Finding 2017-030: **Oregon Commission for the Blind**
<u>Strengthen Controls over Costs Charged to the Federal Program</u>
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: $3,423 (known)

Recommendation: Commission management strengthen controls over costs charged to the federal program to ensure program funds are only used for allowable program purposes.

Status: Corrective action taken.

Finding 2017-031: **Oregon Commission for the Blind**
<u>Improve Controls over Federal Financial Reporting</u>
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Reporting
Significant Deficiency, Noncompliance

Recommendation: Commission management correct the financial reports and implement controls to ensure future reports contain accurate information, are supported by accounting records, and follow federal reporting guidelines.

Status: Partial corrective action taken. The agency response is as follows:

Commission for the Blind has been in discussions with our Fiscal Liaison the Federal Rehabilitation Services Administration (RSA) to determine the reports impacted and needing to be reopened. The process for compilation of the information is also under review to include additional checks and balances. The resolution of these finding related to SF-425 reports is in process with an anticipated completion date on January 31, 2019. The CFO for CFB has completed Federal Fiscal training for the SF-425.

Corrections to the RSA-2 have been completed and the 2016 report has been resubmitted to RSA. The process for compilation of the information has been expanded to include additional checks and balances. These new steps were tested with the RSA-2 for 2017 and this report has also been resubmitted to the RSA. The CFO for CFB has completed Federal Fiscal training for the RSA-2.

Finding 2017-032: **Department of Fish and Wildlife**
<u>Establish Controls over Financial Reporting and Ensure In-Kind State Match is Adequately Supported</u>
Fish and Wildlife Cluster (15.605, 15.611)
Reporting, Matching
Significant Deficiency, Noncompliance
Questioned Costs: $14,211 (known)

Recommendation: Department management ensure federal financial reports are independently reviewed and adequately supported before submission.

Status: Partial corrective action taken. The agency response is as follows:

The “independent review” portion of this finding is similar to a finding from OAD’s FY2016 audit of the Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty at ODFW entitled “Establish Controls over

Financial Reporting." In response to that audit, ODFW analyzed internal controls and risks associated with the SF-425 and found that existing controls adequately manage the risk of significant reporting errors and maintain compliance with applicable requirements. The resources necessary to perform a review of the SF-425 reports were determined to exceed the benefit derived from the review. ODFW is in the process of preparing a SF-425 risk assessment procedure, which will ensure regular assessment of the risks and internal controls associated with SF-425 reporting.

In response to the "adequately supported" portion of this finding, the department communicated with program managers and administrative personnel to ensure proper understanding of the requirements necessary for documentation. In addition, the department is currently working through the "Request for Proposals" process for a Volunteer and Event Management System. This system should provide easier tracking of the in-kind/volunteer hours associated with ODFW's federal awards.

Finding 2017-033: **Department of Fish and Wildlife**
<u>Implement Monitoring and Maintenance of Real Property</u>
Fish and Wildlife Cluster (15.605, 15.611)
Equipment and Real Property Management
Significant Deficiency, Noncompliance

Recommendation: Department management finalize and implement policies and procedures to ensure compliance with real property federal requirements.

Status: No corrective action taken. The agency response is as follows:

ODFW worked with US Fish and Wildlife Service to reconcile land acquisition and ownership records specific to land acquisition grants under the Pittman-Robertson and Dingell-Johnson programs. Per a letter from the Department of the Interior on July 18, 2017, all discrepancies have been rectified.

The department will now focus efforts on developing and implementing policies and procedures to ensure compliance with real property federal requirements. These grants are currently under audit by the Department of Interior for the U.S. Fish and Wildlife Service. Department management will work with U.S. Fish and Wildlife Service to implement recommendations at the conclusion of the audit.

Finding 2017-034:	**Department of Fish and Wildlife** **<u>Improve Controls over Directly Allocated Costs</u>** **Fish and Wildlife Cluster (15.605, 15.611)** **Allowable Costs/Cost Principles** **Significant Deficiency, Noncompliance** **Questioned Costs: $454 (known); $21,000 (likely)**
Recommendation:	Department management review their methods and processes for allocating direct costs to programs and improve controls to ensure adherence to cost principles. Specifically, we recommend management require that sufficient documentation of the basis applied to allocating costs is maintained and periodically reviewed to ensure costs reflect actual benefit to the program, are accurately calculated, and are consistently applied across programs and other department activities.
Status:	Partial corrective action taken. The agency response is as follows: This finding is similar to a finding from OAD's FY2016 audit of the Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty entitled "Supporting Documentation for the Allocated Costs Not Maintained." In response to that audit, ODFW strengthened its processing documents (payment request authorization form) in FY18 to ensure allocation information was being captured and maintained. Based on the additional detail provided within this finding, ODFW will further enhance its policies and procedures to ensure compliance with federal and state requirements.
Finding 2017-035:	**Department of Fish and Wildlife** **<u>Include Only Paid Hunting and Angling Licenses in Certification Report</u>** **Fish and Wildlife Cluster (15.605, 15.611)** **Reporting** **Significant Deficiency, Noncompliance**
Recommendation:	Department management correct and resubmit the certification and implement a more robust review process to ensure the certification is accurate prior to submission.
Status:	Partial corrective action taken. The agency response is as follows: The department will work with USFWS to better understand which licenses to include in the annual certification calculation and will follow USFWS's guidance regarding recertification. Additionally, the department will implement a more robust review process.

These grants are currently under audit by the Department of Interior for the U.S. Fish and Wildlife Service. Department management will work with U.S. Fish and Wildlife Service to implement recommendations at the conclusion of the audit.

Finding 2017-036: **Department of Fish and Wildlife**
<u>Consistently Apply Controls over Procurements</u>
Fish and Wildlife Cluster (15.605, 15.611)
Procurement, Suspension, and Debarment
Significant Deficiency

Recommendation: Department management require the consistent application of controls to ensure compliance with federal requirements over procurement.

Status: Partial corrective action taken. The agency response is as follows:

Department management implemented mandatory checklists in March of 2017 to ensure state laws and procedures are followed including checking the status of contractors on the federal System for Award Management (SAM) website to verify contractors have not been suspended or debarred. ODFW will increase awareness and utilization of the updated checklist going forward.

Finding 2016-018: **Department of Human Services**
<u>Financial Transaction Processing Errors in Child Welfare System</u>
Foster Care – Title IV-E (93.658)
Allowable Costs/Cost Principles
Material Weakness, Material Noncompliance
Questioned Costs: $103,130 (known)

Recommendation: Department management review OR-Kids transaction processing and make system modifications as appropriate to ensure proper financial reporting of program expenditures. We also recommend department management review prior year and current year transactions and reimburse the federal agency for grant expenditures claimed inappropriately.

Status: Partial corrective action taken. The agency response is as follows:

A report has been developed to identify adjustments that impact a state grant rather than the federal grant, and is in the final validation stage. Once the report is validated, the report will be used to accurately report federal expenditures. The report will be used for the reporting period ending December 31, 2019.

An adjustment was entered into the ORKIDS system on 6/28/18 to correct placement correction processing errors for this audit finding. $103,130 was repaid and reported on 2018 Quarter 3 (04/01/18 – 06/30/18) CB-496 report. Any remaining adjustments for previous quarters reported incorrectly will be reported on the federal report for the period ending December 31, 2019.

A change request for a system fix has been written. However, the date for the system fix is not yet determined.

Finding 2016-019: **Department of Human Services**
<u>Improve Foster Care Provider Eligibility Documentation</u>
Foster Care – Title IV-E (93.658)
Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: $14,100 (known); $427,000 (likely)

Recommendation: Department management ensure all required documentation is completed timely, reviewed, and maintained and ensure eligibility is determined appropriately. We also recommend department management reimburse the federal agency for costs paid related to the ineligible providers.

Status: Corrective action taken.

Finding 2016-022: **Department of Human Services**
<u>Improve Controls over Monthly Copay Calculation & Documentation</u>
Child Care and Development Fund Cluster (93.575, 93.596)
Allowable Costs/Cost Principles; Eligibility
Material Weakness, Material Noncompliance
Questioned Costs: $2,263 (known); $1,193,491 (likely) (93.596)

Recommendation: Department management ensure a client's monthly copay is correctly calculated, hours are correctly calculated, income support is retained, and a client's special needs rate documentation is maintained. We also recommend department management reimburse the federal agency for unallowable costs.

Status: Partial corrective action taken. The agency response is as follows:

Tools were developed and shared with field staff during the year in efforts to improve co-pay calculations and documentation. An ERDC mini-training was held in June 2018 to address such topics as ERDC copays and ERDC coding. On June 15, 2018, Child Care Policy reissued a transmittal to department staff as a reminder to reinforce the importance of increased accuracy in the ERDC program.

Quality Assurance, in collaboration with the policy team, published another edition of an "Accuracy in Action" newsletter focusing on ERDC budgeting and child care hours. This issue, which was sent to field staff on March 15, 2018, included information referring to verifying income and hours, ERDC hours, marginal income, two-parent working families, child support and ERDC, prospective eligibility, budgeting, and transitioning TANF to ERDC.

Although corrective actions have taken place, this finding will remain open due to errors identified in the fiscal year 2017 audit.

Finding 2016-024: **Department of Human Services/Oregon Health Authority**
<u>Ensure Medicaid Payments are Sufficiently Supported</u>
Medicaid Cluster (93.777, 93.778)
Allowable Costs/Cost Principles; Eligibility
Material Weakness, Noncompliance
Questioned Costs: $4,528 (known)(93.778)

Recommendation: Management strengthen controls to verify applications exist upon client eligibility redeterminations, perform eligibility redeterminations timely, identify any other clients that may have been impacted due to the override of system controls, and reimburse the program for unallowable costs.

Status: Partial corrective action taken. The agency response is as follows:

Beginning in January 2016 and concluding August 31, 2017, OHA has worked to process redeterminations for the entire MAGI population and for those individuals who were part of an ACA-related deferred renewal population.

Even though corrective actions have taken place, finding will remain open due to similar finding in subsequent audit period.

Finding 2016-025: **Oregon Health Authority**
<u>Document Database Searches and Retain Provider Enrollment Agreements</u>
Medicaid Cluster (93.777, 93.778)
Special Tests and Provisions
Significant Deficiency, Noncompliance

Recommendation: Management strengthen controls to ensure database searches are documented and enrollment agreements are maintained. For the specific items noted above, we recommend the authority obtain updated provider agreement forms and document that database checks were completed.

Status: Partial corrective action taken. The agency response is as follows:

The state obtained current provider enrollment agreements from the providers noted in the findings. The state conducted specific database check training for enrollment staff between December 2017 and February 2018. The state will provide additional database check training beginning July 2018 as part of a new enrollment quality improvement plan. Additionally, the state will be requiring new provider enrollment agreements during our annual revalidation efforts for payable providers. This will begin in spring 2019.

Even though corrective actions have taken place, finding will remain open due to similar finding in subsequent audit period.

Finding 2016-030: **Department of Human Services**
<u>Data Necessary to Estimate Savings in State Expenditures is Incomplete</u>
Adoption Assistance – Title IV-E (93.659)
Level of Effort
Significant Deficiency

Recommendation: Department management continue to correct known applicable child eligibility data issues in OR-Kids to ensure data used to estimate the savings in state expenditures is complete and accurate.

Status: Partial corrective action taken. The agency response is as follows:

Federal Policy, Planning and Resources (FPPR) and the OR-Kids Business unit completed an analysis of why new cases continue to show up with this error. The OR-Kids Business analyst found a bug in OR-Kids that was clearing the boxes that indicated why the child was eligible for Title IV-E Adoptions Assistance. A bug fix was implemented in January 2018. The OR-Kids Business team ran one subsequent report and it appears the bug fix implemented in January has worked and no new cases are being created. FPPR must complete a manual analysis and correct all the cases effected by the bug. Estimated date of completion is October 31, 2018.

Finding 2016-032: **Oregon Health Authority**
<u>Strengthen Controls over Subrecipient Fiscal Monitoring</u>
ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance (93.624)
Subrecipient Monitoring
Significant Deficiency, Noncompliance

Recommendation: Management review expenditures to ensure subawards were used for authorized purposes.

Status: Corrective action taken.

Finding 2016-036: **Oregon Housing and Community Services Department**
<u>Improve Reviews of Subrecipient Allocated Costs</u>
Low-Income Home Energy Assistance (93.568)
Allowable Costs/Cost Principles; Subrecipient Monitoring
Significant Deficiency, Noncompliance
Questioned Costs: $501 (known)

Recommendation: Department management ensure cost allocation plans of its subrecipients are sufficiently reviewed to determine the plans are fully compliant with applicable cost principles.

Status: Corrective action taken.

Finding 2016-038: **Department of Fish and Wildlife**
<u>Supporting Documentation for Allocated Costs Not Maintained</u>
Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty Program (11.438)
Allowable Costs/Cost Principles
Significant Deficiency, Noncompliance
Questioned Costs: $4,577 (known); $24,803 (likely)

Recommendation: Department management maintain documentation that supports the allocation of shared costs to ensure they are in compliance with allowable cost principles.

Status: Partial corrective action taken. The agency response is as follows:

Agency programs utilize specific forms to assist accounts payable in allocating costs among one or more funding sources. These forms have now been modified to require the user to provide a methodology, or general explanation, regarding how any allocation is derived. ODFW will further enhance its policies and procedures to ensure compliance with federal and state requirements.

Finding 2016-039: **Department of Fish and Wildlife**
<u>Establish Controls over Financial Reporting</u>
Pacific Coast Salmon Recovery Fund/Pacific Salmon Treaty Program (11.438)
Reporting
Significant Deficiency

Recommendation: Department management establish controls to ensure they are in compliance with federal regulations.

Status: Partial corrective action taken. The agency response is as follows:

ODFW analyzed internal controls and risks associated with the SF-425 and found that existing controls adequately manage the risk of significant reporting errors and maintain compliance with applicable requirements. The resources necessary to perform a review of the SF-425 reports were determined to exceed the benefit derived from the review.

The results of the review were communicated to the National Oceanic and Atmospheric Administration (NOAA) and NOAA found ODFW had complied with the requirements for audit resolution.

ODFW is in the process of preparing a SF-425 risk assessment procedure, which will ensure regular assessment of the risks and internal controls associated with SF-425 reporting.

Summaries of Related Audit Reports Issued by the Oregon Secretary of State Audits Division

Summaries of selected performance audit reports issued during 2018 are included here for informational purposes as subjects may relate to federal programs administered in Oregon.

REPORT TITLE AND NUMBER:	**Constraints on Oregon's Prescription Drug Monitoring Program Limit the State's Ability to Help Address Opioid Misuse and Abuse; Report No. 2018-40**
REPORT DATE:	December 2018

RESULTS IN BRIEF:

The Prescription Drug Monitoring Program provides an important tool to address prescription drug abuse, including opioid abuse, and help improve health outcomes. Oregon's laws have put constraints on the program that limit its effectiveness and impact. Restrictions are placed on what data are collected, analyses that can be done with the data, and with whom information can be shared. Correcting weaknesses in Oregon's program will maximize its potential and help address opioid and other substance abuse issues the state faces.

Oregon has the highest rate in the nation of seniors hospitalized for opioid-related issues such as overdose, abuse, and dependence. The state also has the sixth highest percentage of teenage drug users. The Oregon Health Authority (OHA) manages the state's Prescription Drug Monitoring Program (PDMP), which collects information on controlled substance prescriptions within the state. The program was designed to promote public health and safety and to help improve patient care. It was also developed to support the appropriate use of prescription drugs.

The purpose of this audit was to determine if Oregon can better leverage its PDMP to help with the opioid epidemic.

Key Findings

1. OHA could better use PDMP data to analyze trends in prescribed drugs, including identifying patterns of possible opioid misuse and abuse. State laws prevent OHA from sharing information on questionable activity with key stakeholders, such as health licensing boards and law enforcement. We found people who received opioid prescriptions from excessive numbers of prescribers, as well as instances of dangerous drug

combinations and prescriptions for excessive drug dosages. One person who received an excessive amount of opioid prescriptions had some of those prescriptions paid for by Medicaid.

2. Oregon is one of only nine states that does not require prescribers or pharmacies to use the PDMP database before an opioid prescription is written or dispensed. Mandating use can be effective in reducing opioid misuse and other health related outcomes.
3. Due to statutory restrictions, Oregon's PDMP does not collect some prescription information that could be critical in preventing prescription drug abuse. This includes prescriptions filled by pharmacies other than only retail, veterinarian prescribed prescriptions, prescriptions for Schedule V drugs and drugs known to be abused or misused such as gabapentin, and prescription details such as method of payment, lock-in status, and diagnosis information.

Recommendations:

Our report includes 12 recommendations to OHA for optimizing the state's PDMP. OHA can implement some of these within existing statutes and rules, and for others it needs to work with the Legislature. OHA agreed with all of the recommendations, but stated that because seven fall outside the scope of its statutory authority, its ability to implement them is limited. The agency's response can be found at the end of the report.

REPORT TITLE AND NUMBER: **Progress Has Been Made to Address Security Weaknesses at the State Data Center, but Improvements Are Still Needed; Report No. 2018-34**

REPORT DATE: November 2018

RESULTS IN BRIEF: Security at the Enterprise Technology Services State Data Center (data center) has improved due to organizational and staffing changes and the increased role of the Enterprise Security Office. Several longstanding security challenges have been addressed, yet more work remains to further refine and improve security capabilities and to address other areas where roles are not sufficiently defined. The operating environment for the data center remains stable and appropriately controlled. Disaster recovery capabilities have improved, although prioritization of recovery order needs to occur to ensure that the most critical state systems can be restored timely in the event of a major disaster.

The data center is comprised of an extensive inventory of computer operating system platforms and networks. It provides centralized computer services such as networking, email, backup, and server services for more than 100 state agencies, boards, and commissions. Since the creation of the data center in 2006, numerous prior audits have identified significant security weaknesses. Starting in 2015, organizational changes moved overall responsibility for the data center to the Office of the State Chief Information Officer (OSCIO) and expanded the staffing and role of the Enterprise Security Office.

Because of the critical services the data center provides, we audit it every two to three years. This audit followed up on the status of prior audit findings and evaluated the current security framework and stability of the operating environment.

Key Findings

- The OSCIO has made significant progress in improving security at the data center through security planning and staffing, vulnerability assessments, security event monitoring, and anti-malware and patching processes. Further progress is needed to refine these processes and better track vulnerability remediation.
- Some security areas require improvement, including privileged access, asset and configuration management, and security incident response. Work is underway to improve Windows privileged access.
- Day-to-day computing remains stable and disaster recovery capabilities have improved. While additional disaster recovery capabilities are being built, data center customers need to prioritize which systems should be recovered first in the event of disaster.

Recommendations:

We recommend improvements in defining roles and responsibilities, refining vulnerability scanning and security event monitoring, monitoring privileged access, and disaster recovery prioritization. The OSCIO agreed with all of our recommendations. The agency's response can be found at the end of the report.

REPORT TITLE AND NUMBER: **Advisory Report: Supplemental Nutrition Assistance Program (SNAP) Fraud Investigations; Report No. 2018-18**

REPORT DATE: June 2018

A Note on Advisory Reports

Advisory reports provide information on limited reviews or time-critical assessments, investigations, or evaluations. They are not audits and therefore do not adhere to the full set of government auditing standards. However, they follow the same rigorous quality assurance process used for every audit report from the Oregon Audits Division.

RESULTS IN BRIEF: Since 2013, the Oregon Secretary of State Audits Division has analyzed data from the Supplemental Nutritional Assistance Program (SNAP), commonly known as "food stamps," in order to identify potential fraud. Our goal was to review SNAP merchant and client data using analytical and mapping software to identify red flags that could assist state and federal fraud investigations. Our work with state and federal officials has resulted in prosecutions, convictions, and hundreds of thousands in restitution paid to the state. The work also facilitated the Oregon Department of Human Services receiving federal funding to improve prevention, detection, and prosecution of recipient SNAP fraud.

This report highlights our food stamp fraud work activities including a description of the innovative techniques we used. Law enforcement agencies in Oregon and other audit offices should consider pursuing similar work.

Impacts

- Prosecution and conviction of five merchants who committed SNAP fraud
- 59 SNAP recipients banned for life and 40 SNAP recipients banned for one year
- Over $525,000 in court-ordered restitution
- Over $1.7 million in future cost avoidance from banned recipients

- A $300,000 grant awarded to the Department of Human Services, which is the agency responsible for investigating client SNAP fraud, to apply analytical methods in their SNAP investigation work

Partners

- Oregon Department of Human Services (DHS): The state agency that administers the SNAP program in Oregon.
- U.S. Department of Agriculture (USDA): The federal entity overseeing and administering the SNAP program for the nation.
- U.S. Department of Agriculture, Office of Inspector General (OIG): The OIG conducts investigations of significant criminal activities involving USDA programs and is authorized to make arrests and execute warrants.
- Federal Bureau of Investigations (FBI): A federal government agency whose mission includes investigating fraud and other crimes.
- U.S. Attorney's Office, District of Oregon: Federal officials involved in the prosecution of criminal cases brought by the federal government.
- Oregon District Attorneys: Public officials who act as prosecutors for the state in particular districts in Oregon.
- Local Law Enforcement: Various sheriff's offices and police departments across the state charged with enforcing laws and preventing crime in their jurisdictions.

Next Steps

We are continuing to partner with key stakeholders to perform our fraud work. Oregon is considered a leader among other state auditors in using data analytics to detect food stamp fraud.

Key Audit Members

Mary Wenger, CPA, Deputy Director

Dale Bond, CPA, Audit Manager

Julianne Kennedy, CPA, Audit Manager

Kelly Olson, CPA, Audit Manager

Janet Lowrey, CPA, Senior Auditor

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of their office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected 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.

This report is intended to promote the best possible management of public resources.
Copies may be obtained from:

Oregon Audits Division
255 Capitol St NE, Suite 500 | Salem | OR | 97310
(503) 986-2255
sos.oregon.gov/audits