



Steve Bergmann
Division Director

March 4, 2025

Fariborz Pakseresht, Director
Oregon Department of Human Services
500 State Street NE, E15
Salem, Oregon 97301

Dear Director Pakseresht:

We have completed audit work of the selected federal program at the Oregon Department of Human Services (department) for the year ended June 30, 2024.

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 62,168,931

This audit work was not a comprehensive audit of your federal program. We performed this federal compliance audit as part of our annual Statewide Single Audit. The Single Audit is a very specific and discrete set of tests to determine compliance with federal funding requirements, and does not conclude on general efficiency, effectiveness, or state-specific compliance. The Office of Management and Budget (OMB) Compliance Supplement identifies internal control and compliance requirements for federal programs. Auditors review and test internal controls over compliance for all federal programs selected for audit and perform specific audit procedures only for those compliance requirements that could have a direct and material effect on the federal program under audit.

We are required to be independent of the department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. Our audit does not provide a legal determination of the department's compliance with the compliance requirements referred to in Appendix A.

For the year ended June 30, 2024, we determined whether the department substantially complied with the compliance requirements listed in Appendix A as relevant to the federal program under audit.

Responsibilities of Management for Compliance

Department management is responsible for compliance with the requirements referred to in Appendix A, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the federal program referred to above.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to in Appendix A occurred, whether due to fraud or error, and express an

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opinion on the department's compliance based on our audit work. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirement referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the department's compliance with the federal program.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Noncompliance

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and are described below. Our opinion on the federal program is not modified with respect to these matters.

Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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. 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 deficiency in internal control over compliance described below to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Audit Findings and Recommendations

Strengthen internal controls to ensure performance data reports are accurate

Federal Awarding Agency:	U.S. Department of Education
Assistance Listing Number and Name:	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
Federal Award Numbers and Years:	H126A230054, 2023; H126A240054, 2024
Compliance Requirement(s):	Reporting
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2023-028
Questioned Costs:	N/A

Criteria: 29 USC 721(a)(10)

The department is required to submit quarterly program performance reports. The Vocational Rehabilitation Case Service Report (RSA-911) is a quarterly report of client case information. State Vocational Rehabilitation (VR) agencies are required to maintain supporting documentation in an individual's case file, particularly regarding eligibility determinations, development of the Individualized Plan for Employment, services provided, and case closure. It is important to note that the use of an electronic case management system does not remove the requirement for the agency to maintain either hard copies or scanned copies of required supporting documentation in the individual's service record. An electronic case management system is merely a data entry process that is susceptible to data entry errors.

We reviewed 15 out of 25,740 clients from the December 2023 RSA-911 report to ensure the information contained in selected fields agreed to supporting documentation. During our testing, we identified the following:

- The department could not provide documentation of the hourly wage and start date of employment at exit for one client when the report was submitted.
- The reported application date for one client was 22 days after the date of the application per the supporting documentation.

Without adequate internal controls to ensure the accuracy of the case information reported, the department may not be reporting accurate information to the federal awarding agency and is unable to demonstrate its compliance with the reporting requirements. Data collected through the RSA-911 is used by the Federal

government to evaluate and monitor the programmatic performance of the VR program. As such, it is important that the data be accurately collected and reported.

We recommend department management strengthen internal controls to ensure information reported in the RSA-911 client performance data report is accurate.

Prior Year Findings

In the prior fiscal year, we reported noncompliance and internal control findings in the Statewide Single Audit Report related to the Vocational Rehabilitation Program. For the fiscal year ended June 30, 2023; see Secretary of State audit report number 2024-14.

During fiscal year 2024, the department made progress in addressing the prior year recommendations. The uncorrected findings will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2024, with the following status for each:

Prior Year Finding No.	Finding Title	Status
2023-028	Strengthen controls to ensure adequate supporting documentation and accuracy over reporting	Partial corrective action taken
2023-029	Strengthen controls over program expenditures	Partial corrective action taken
2023-030	Strengthen controls over payroll expenditures	No corrective action taken. The department disagrees with this finding

Response to Current Year Finding

The audit finding and recommendation above, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2024. Including your response satisfies the federal requirement that management prepare a Corrective Action Plan covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to the significant deficiency includes the information specified by the federal requirement, and only if the response is received in time to be included in the audit report. The following information is required for the response:

1. Your agreement or disagreement with the finding. If you do not agree with the [an] audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned for each audit finding.
3. The anticipated completion date.
4. The contact person(s) responsible for corrective action.

Please provide a response to Michelle Searfus by March 11, 2025 and provide Rob Hamilton, State Controller, a copy of your Corrective Action Plan.

The purpose of this communication is solely for the information and use of management and others within the organization 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 communication is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Kari Mott or Michelle Searfus at kari.e.mott@sos.oregon.gov or michelle.n.searfus@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Liesl Wendt, ODHS Deputy Director
Rob Kodiriy, Chief Financial Officer
Keith Ozols, Vocations Rehabilitation Services Director
Shawn Jacobsen, Controller
Sarah Landis, Chief Audit Executive
Berri Leslie, Director and Chief Operating Officer, Department of Administrative Services
Rob Hamilton, State Controller, Department of Administrative Services

APPENDIX A

Compliance Requirement	General Summary of Audit Procedures Performed
Period of Performance	Determined whether federal funds were used only for allowable costs incurred during the authorized performance period.
Reporting	Verified the department submitted financial and performance reports to the federal government in accordance with the grant agreement and that those financial reports were supported by the accounting records.