



Steve Bergmann
Division Director

March 17, 2025

Fariborz Pakseresht, Director
Oregon Department of Human Services
500 Summer St Ne, E15
Salem, OR 97301

Dear Director Pakseresht:

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

Assistance Listing Number	Program Name	Audit Amount
93.558	Temporary Assistance for Needy Families (TANF)	\$ 171,111,810

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.

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Salem, Oregon 97310

Tobias Read
Oregon Secretary of State

Michael Kaplan
Deputy Secretary of State

Information (503) 986-2255
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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 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 certain deficiencies in internal control over compliance that we consider to be 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 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 deficiencies in internal control over compliance described below to be significant deficiencies.

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

Obtain accurate information from the ONE application

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years:	2301ORTANF, 2023; 2401ORTANF, 2024
Compliance Requirement(s):	Reporting
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2023-025; 2022-036
Questioned Costs:	N/A

Criteria: 45 CFR 265.3(a), (b), (d); 45 CFR 265.7(a)-(c)

Federal regulations require the department to report certain financial and non-financial data elements for services paid with Temporary Assistance for Needy Families (TANF) federal funding in the quarterly ACF-199 TANF Data Report. Federal regulations also require the department to report certain financial and non-financial data elements for TANF eligible clients whose benefits are paid with designated state funds called maintenance of effort (MOE) in the quarterly ACF-209 SSP-MOE Data Report. Both data reports should be supported by applicable performance records.

During fiscal year 2021, the department transitioned key aspects of the TANF program to Oregon Eligibility (ONE) for case management, while TANF child welfare payments continued to be recorded in OR-Kids, the child welfare system. The department contracts with an external service provider to extract data from ONE and OR-Kids to populate the data reports. Program staff currently work with the external service provider to obtain comprehensive data reports prior to submission to review them for errors and when found, each issue is logged as a defect for the external service provider to correct.

During fiscal year 2023, the department and the U.S. Administration for Children and Families (U.S. ACF) identified data reports submitted for fiscal year 2023 were incorrect and the department was unable to provide corrected data to auditors. Over the past year, the department has made progress in improving the accuracy and completeness of the data reported in the ACF-199 and ACF-209 reports. Reports were submitted by the department and accepted by U.S. ACF for the reporting periods during fiscal year 2024. We judgmentally tested the reports prepared and submitted for the quarter ended June 30, 2024. Based on our review of a random selection of 80 cases reported in the ACF-199 and ACF-209 reports, we noted the following errors:

- For one case reported in the ACF-199, we noted a defect in the reporting logic for the line item containing the federal time-limit exemption status resulting in the reporting of an invalid code.
- For two cases reported in the ACF-199 and four cases reported in the ACF-209, we noted discrepancies between the data reported for the Work Participation Status, related Work Participation Activities, and the case documentation. The data reported for each case indicated the client was required to participate but not participating in countable activities. However, case narratives supported the client was engaged in countable activities during the reporting period. For the two ACF-199 cases, we also noted a Personal Development Plan (PDP) where attendance hours should have been recorded was not appropriately established according to policy. As the reporting process relies on the attendance hours recorded in the PDP to populate the work participation line items, the absence of a PDP resulted in the report incompletely capturing the client's JOBS activity.
- For four cases reported in the ACF-209, we noted discrepancies between the case documentation and the hours reported as Unsubsidized Employment. In each case, the hours reported could not be substantiated by the available case documentation. Additionally, for one case, the Work Participation Status was incorrectly reported as not meeting minimum participation requirements when case documentation supported minimum participation had been met.

Although improvements to the reporting have been made, the presence of errors in the current year indicates continued efforts are needed to ensure the reports accurately reflect the information within the case management system. We also noted documentation supporting the completion of the data review following the department's procedures could be strengthened. Accurate reporting is necessary to ensure U.S. ACF can make appropriate determinations on the state's compliance with required work participation rates.

Additionally, as the ONE system is administered by an external service provider, best practices would include procedures to verify the internal controls at the external service provider are adequate to meet the business needs of the department. Such assurances are typically provided through a System and Organization Controls (SOC) 2 Type II report which addresses the suitability of the design and operating effectiveness of controls. During the past year the department obtained a SOC 2 Type I report; however, the Type I report only identifies and evaluates the design of controls and does not conclude on the operating effectiveness of controls. As a result, the department does not have assurance over the operating effectiveness of controls at the external service provider that may affect the department's operations and reporting applicable to the TANF program.

We recommend department management continue to review ACF-199 and ACF-209 reports prior to submission, monitor known compilation defects to ensure performance data reports submitted are complete and accurate, and ensure documentation is maintained supporting the completion of the data review procedures. **We also recommend** department management obtain an annual SOC 2 Type II report over the service organization's internal controls for the ONE application or perform other alternative procedures to ensure that the internal controls over the ONE system at the external service provider are sufficient to meet the business needs of ODHS and OHA.

Improve controls to ensure eligibility criteria are met

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years:	2301ORTANF, 2023; 2401ORTANF, 2024
Compliance Requirement(s):	Eligibility; Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2023-027; 2022-039; 2022-040
Questioned Costs:	\$5,187 (known); \$4,499,112 (likely)

Criteria: 42 USC 602(a)(1)(A) & (B)(iii); 45 CFR 264.10; 2 CFR 200.303

Federal regulations state the department is responsible for creating and submitting a state plan that outlines how the program will be conducted to meet the objectives of the Temporary Assistance for Needy Families (TANF) program. This includes the criteria used to determine the eligibility of TANF applicants. Additionally, federal regulations require each state must meet the requirements of the Income Eligibility and Verification System (IEVS) and request certain information from the Internal Revenue Service, State Wage Information Collections Agency, Social Security Administration, and Immigration and Naturalization Service when making TANF eligibility determinations. Department management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance the program is being operated in accordance with federal regulations.

To help ensure eligibility determinations are made in accordance with the approved state plan, the department's Program Integrity Unit (PIU) performs approximately 17 case eligibility reviews per month. These reviews confirm the appropriateness of eligibility determinations based on client information documented in the case management system. Identified errors are referred to the applicable branch office for correction and to determine if additional training is needed. We tested a random sample of 18 of 173 PIU case eligibility reviews performed during fiscal year 2024 specific to federally funded TANF cases to determine the effectiveness of the control. One case review identified an eligibility error which was not referred to the branch office. According to the department, this case review was on the schedule of findings; however, the communication to the branch office was not completed for unknown reasons. Failure to communicate issues identified during the case reviews reduces the control's effectiveness in ensuring eligibility determinations are appropriately made and potential training opportunities are identified at the branch office.

We also tested a random sample of 60 of 193,547 client benefit months (one client for one benefit month) during fiscal year 2024 to determine if the clients met the applicable eligibility requirements and the department performed the appropriate IEVS data checks in accordance with federal requirements. We

identified the following errors, which were the result of caseworker errors in documenting the completion of the required eligibility steps in accordance with established enrollment procedures:

- For one case, unearned income from an unemployment claim was not factored into the initial eligibility determination and subsequent benefit month calculations as required resulting in known questioned costs of \$2,754.
- For one case, the procedure regarding the non-financial eligibility requirement for pursuit of available assets was not followed to either obtain the client's statement of intent to pursue unemployment or document good cause for the client's non-pursuit of the asset resulting in known questioned costs of \$2,433.
- For one case, the department did not document the required IEVS check during the initial eligibility determination. However, we did not identify questioned costs associated with this case, as case documentation supported the applicant's eligibility.

The likely questioned costs total \$4,499,112 based on the known questioned costs identified in our sample test.

We recommend department management ensure case eligibility reviews are performed in accordance with the established procedures. **We also recommend** department management ensure caseworkers are adequately trained on TANF enrollment procedures to ensure all applicable requirements are met.

Improve controls relating to client non-cooperation with child support requirements

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years:	2301ORTANF, 2023; 2401ORTANF, 2024
Compliance Requirement(s):	Special Tests and Provisions
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2023-026
Questioned Costs:	N/A

Criteria: 45 CFR 264.30-.31

Federal regulations require the department to refer all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified or enforced, to the child support enforcement agency. If the department determines referred individuals are not cooperating, without good cause, in establishing, modifying, or enforcing a support order with respect to the child, then the department must reduce or deny assistance in the Temporary Assistance for Needy Families (TANF) program.

We tested a random sample of 40 of 4,615 child support non-cooperation tasks submitted to the department by the Oregon Department of Justice's Department of Child Support (DCS) to determine if the department took appropriate action to move the client into compliance or to decrease benefits as required by federal regulations. We found for two of the 40 cases tested, department policies were not followed to ensure child support cooperation was verified with DCS prior to closing the task. In both cases, department

staff relied on client statements to establish their cooperation status. No fiscal year 2024 questioned costs are associated with either case due to the following circumstances:

- For one case, the DCS child support non-cooperation task was received mid-June 2024. Although this task was inappropriately closed during the same month, we would not expect a sanction to be applied until the following month at the earliest which would be outside of our audit period.
- For the other case, a DCS child support non-cooperation task was received and closed inappropriately in March 2024. However, due to separate circumstances, TANF eligibility was terminated the following month.

We recommend management ensure department employees are adequately trained on applicable procedures and requirements relating to child support cooperation with DCS.

Ensure work participation rate calculation uses verified and accurate data

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years:	2301ORTANF, 2023; 2401ORTANF, 2024
Compliance Requirement(s):	Special Tests and Provisions
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	2022-038
Questioned Costs:	N/A

Criteria: 45 CFR 261.61-.62, .65

Federal regulations require each state maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of data used in calculating work participation rates. Each state must have procedures to count and verify reported hours of work and must comply with its Work Verification Plan as approved by the U.S. Administration for Children and Families (U.S. ACF).

Oregon's Work Verification Plan outlines a system of controls for how reported hours will be verified and documented, and for reviews and monitoring procedures to identify errors. The Program Integrity Unit (PIU) is responsible for performing monthly reviews on a sample of cases to determine the accuracy of attendance hour reports by activity. However, during fiscal year 2024, the department stated the monthly reviews were delayed due to staffing constraints. At the time of our audit procedures in December 2024, the department had completed reviews for ten months of the fiscal year. Without the timely completion of reviews, the effectiveness of the department's control to ensure the accuracy of work participation data is reduced and may result in a higher risk of inclusion of inaccurate data in reports submitted to U.S. ACF.

We tested a random sample of 40 of 213,356 case benefit months (one case for one benefit month) identified in the ACF-199 and ACF-209 data reports to determine if work participation data was accurately reported and supported by case management records. We identified the following:

- Two cases reported on the ACF-199 did not have adequate documentation supporting the verification of attendance hours recorded for the participants.
- One case reported on the ACF-209 did not have adequate documentation supporting the work hours calculated and recorded for the participants.

These inaccurate or unverified hours were reported to U.S. ACF for use in calculating the work participation rate. If the state fails to follow the approved Work Verification Plan, U.S. ACF may penalize the state.

We recommend department management ensure JOBS reviews are performed in accordance with the established procedures. **We also recommend** department management ensure the work participation rate is calculated appropriately using verified and accurate participation data in adherence to the department's Work Verification Plan.

Strengthen controls over program expenditures

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Numbers and Years:	2301ORTANF, 2023; 2401ORTANF, 2024
Compliance Requirement(s):	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	\$2,962 (known); \$415,856 (likely)

Criteria: 2 CFR 200.303

The Temporary Assistance for Needy Families (TANF) program provides time-limited cash assistance to eligible needy families with children. Department management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance the program is being operated in accordance with federal regulations.

We identified two instances during our testing where expenditures were inappropriately charged to the TANF program:

- We tested a random sample of 60 of 193,547 client benefit months (one client for one benefit month) during fiscal year 2024 to determine if the payments made to the clients during those months were for allowable activities under the TANF program. One transaction was determined to be a duplicate payment for housing support services assistance. A check was issued to a participant for two months of rent and late fees to assist the family in maintaining stable housing. According to a case narrative in the case management system, the check was stated to have been lost and a second check was issued directly to the participant's landlord. However, the original check was cashed prior to being canceled resulting in the duplicate expenditure for the same assistance payment. The duplicate payment resulted in known questioned costs of \$2,419 and likely questioned costs of \$415,856.
- We tested a random sample of 25 of 37,987 child welfare TANF transactions during fiscal year 2024 to determine if the transactions were for allowable activities under the TANF program. One child welfare TANF transaction was determined to be a correction that did not refund the TANF program as intended. We identified known questioned costs of \$543 due to the error. The known questioned costs were not projected to the population due to the uncommon nature of canceled and refunded transactions.

We recommend department management strengthen controls to ensure program expenditures and corrections are properly recorded.

Prior Year Findings

In the prior fiscal years, we reported noncompliance and internal control findings in the Statewide Single Audit Report related to the TANF program. For the fiscal year-ended June 30, 2023; see Secretary of State audit report number 2024-14 and for the fiscal year-ended June 30, 2022; see Secretary of State audit report number 2023-21.

During fiscal year 2024, the department made progress towards addressing findings identified in previous years, although the issues have not been fully resolved. The prior year findings will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2024, with the statuses listed below.

Prior Year Finding No.	Finding Title	Status
2023-025	Obtain accurate information from the ONE application	Partial Corrective Action Taken
2023-026	Improve controls relating to client not cooperating with child support requirements	Partial Corrective Action Taken
2023-027	Improve controls to ensure eligibility criteria are met	Partial Corrective Action Taken
2022-035	Improve controls over benefit time tracking and discontinuance of federal funding	Partial Corrective Action Taken
2022-036	Ensure performance data reports are complete and accurate	Partial Corrective Action Taken
2022-037	Improve accuracy of cases reported as noncooperating with child support	Corrective Action Taken
2022-038	Ensure work participation rate calculation uses verified and accurate data	Partial Corrective Action Taken
2022-039	Improve documentation of required income and benefit verifications	Partial Corrective Action Taken
2022-040	Improve controls to ensure eligibility criteria are met	Partial Corrective Action Taken

Response to Current Year Findings

The audit findings and recommendations above, along with your responses, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2024. Including your responses 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 each significant deficiency includes the information specified by the federal requirement, and

only if the responses are received in time to be included in the audit report. The following information is required for each response:

1. Your agreement or disagreement with the finding. If you do not agree with 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 24, 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 Michael Yamamoto or Michelle Searfus at michael.j.yamamoto@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, ODHS Chief Financial Officer
Claire Seguin, ODHS Self-Sufficiency Programs Director
Eva Ruiz, ODHS TANF Program Manager
Shawn Jacobsen, ODHS Controller
Sarah Landis, ODHS Chief Audit Officer
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
Activities Allowed or Unallowed	Determined whether federal awards were expended only for allowable activities.
Allowable Costs/Cost Principles	Determined whether charges to federal awards were for allowable costs and that indirect costs were appropriately allocated.
Eligibility	Determined whether only eligible individuals and organizations received assistance under federal programs, and amounts provided were calculated in accordance with program requirements.
Matching, Level of Effort, Earmarking	Determined whether the minimum amount or percentage of contributions or matching funds was provided, the specified service or expenditure levels were maintained, and the minimum or maximum limits for specified purposes or types of participants were met.
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.
Special Tests and Provisions	Determined whether the department complied with the additional federal requirements identified in the OMB Compliance Supplement.