



Kip Memmott
Division Director

October 7, 2024

Berri Leslie, State Chief Operating Officer and DAS Director
Department of Administrative Services
155 Cottage St. NE
Salem, Oregon 97301

Dear Berri Leslie:

We have completed audit work of selected internal controls relating to the Statewide Financial Management Application (SFMA) and the Workday application at the Department of Administrative Services (department) for the year ended June 30, 2024. We performed this audit work as part of our fiscal year 2024 financial and compliance audit of Oregon's Annual Comprehensive Financial Report and major federal programs.

This audit work was not a comprehensive audit of the department. As described in our engagement letter dated April 9, 2024, the work performed was to allow us to achieve the following objectives: (1) determine whether selected internal controls, both manual and automated, governing the SFMA and Workday information systems (systems) provided reasonable assurance over relevant financial reporting objectives; and (2) provide our statewide financial audit teams with reasonable assurance of the operating effectiveness of the systems' controls.

Internal Control over Financial Reporting

We planned and performed our audit work of internal controls relating to SFMA and to the extent possible, Workday, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, and generally accepted control objectives and practices for information systems in the United States Government Accountability Office's publication, Federal Information System Controls Audit Manual (FISCAM). We considered the department's procedures over access, input, processing, output, and change management as a basis for designing auditing procedures for the purpose of providing reasonable assurance over the operating effectiveness of these systems' controls, but not for the purpose of expressing an opinion on the effectiveness of the departments' internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control. We concluded that the selected internal controls governing the systems, both manual and automated, provided reasonable assurance over relevant financial reporting objectives and were operating as intended, except as noted below. We noted the department had manual and automated controls in place, including: (1) controls over logical access, which generally provided a layer of security; (2) controls that ensured information entered into the systems

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remained complete and accurate during processing, and outputs occurred as intended; and (3) controls over system modifications that generally ensured changes to the systems followed industry-recommended change management procedures. 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

Significant Deficiency

Ensure documentation is retained to support the performance of the Daily Dual Access Reports control

Criteria: OAM 10.10.00.PR.111

Effective segregation of duties is designed to prevent the possibility that a single individual could have simultaneous access to conflicting functions within Workday. For example, an employee responsible for entering time for other employees in a payroll system should not simultaneously have update access to the personnel system where new employees are added, and base pay and adjustments to pay are recorded. Monitoring for conflicting role assignments is an essential element of user access controls helping to ensure information in Workday is valid and accurate.

The department developed the Daily Dual Access Report to identify instances of users with conflicting access requiring follow-up to determine the appropriate resolution. However, the department was not able to provide evidence the report was run for a random sample of 25 days from fiscal year 2024. According to the department the lack of documentation was due to the report being established with a five day retention period in Workday.

We recommend department management ensure documentation supporting the performance and outcomes of controls is retained for at least five years.

Prior Year Findings

In the prior fiscal year, we reported a material weakness and significant deficiency in a letter dated November 17, 2023. The material weakness was related to the department's Workday implementation and understanding and documentation of Workday controls. The significant deficiency was related to the

department's controls over the monitoring of Workday access. These findings can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2023, see Secretary of State audit report number 2024-14, finding numbers 2023-002 and 2023-003. During fiscal year 2024, the department corrected the significant deficiency finding by ensuring the monitoring was performed and documented. The department also updated processes to ensure periodic updates of the security forms for users with Level 3 and 4 access. The material weakness finding was partially corrected. During our audit of FY24 we noted the department made progress in addressing the recommendations during the year. These findings will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2024, with a status of corrective action taken and partial corrective action taken, respectively.

The above significant deficiency, along with your response to the finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2024. Please prepare a response to the finding and include the following information as part of your corrective action plan:

1. Your agreement or disagreement with the finding. If you do not agree with the 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.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Sarah Anderson by October 14, 2024 and provide Rob Hamilton, State Controller, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter 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 Sarah Anderson, Audit Manager or Michael Yamamoto, Principal Auditor at sarah.a.anderson@sos.oregon.gov or michael.j.yamamoto@sos.oregon.gov

Sincerely,

Office of the Secretary of State, Audits Division

cc: Kate Nass, Chief Financial Officer
Debbie Dennis, Chief Administrative Officer and Deputy Director
Eli Ritchie, Chief Audit Executive
Jessica Knieling, Chief Human Resources Officer
Robert Hamilton, State Controller, Department of Administrative Services

Fabiola Flores, Deputy State Controller

Justin Brown, Statewide Financial Management Services Manager

Kristi Ivers, Deputy CIO/Interim Workday System Director

Renee Royston, Workday System Director