



Steve Bergmann
Division Director

March 6, 2025

Erin McMahon, Director
Oregon Department of Emergency Management
3930 Fairview Industrial Drive SE
Salem, OR 97302

Dear Director McMahon:

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

Assistance Listing Number	Program Name	Audit Amount
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	\$216,885,653

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 opinion on the department's compliance based on our audit work. Reasonable assurance is a high level of

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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

Continue FFATA reporting improvements and make inquiries on FSRS functionality

Federal Awarding Agency:	U.S. Department of Homeland Security
Assistance Listing Number and Name:	97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Federal Award Numbers and Years:	FEMA-4258-DR-OR, 2016; FEMA-4296-DR-OR, 2017; FEMA-4432-DR-OR, 2019; FEMA-4452-DR-OR, 2019; FEMA-4499-DR-OR, 2020; FEMA-4519-DR-OR, 2020; FEMA-4562-DR-OR, 2020; FEMA-4599-DR-OR, 2021; FEMA-4768-DR-OR, 2024
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	2023-033
Questioned Costs:	N/A

Criteria: 2 CFR 200.303(a)-(d); 2 CFR 170, Appendix A I(a)

The Federal Funding Accountability and Transparency Act (FFATA) requires federal award recipients to submit key data elements for any subaward obligation that equals or exceeds \$30,000 in the FFATA Subaward Reporting System (FSRS). Reports should be submitted no later than the end of the month following the month in which the subawards were made. Federal regulations also require recipients to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The Oregon Department of Emergency Management (department) reported the prior year FFATA finding as partially corrected. We judgmentally selected 10 of 383 subaward obligations for review.

- We found eight were submitted with the applicable data elements but were not submitted timely, as based on guidance from FEMA the department was catching up with past due reports from the previous year.
- We found one obligation was on the department's tracking sheet, but support was not retained and FSRS did not show evidence of the submission.

- We found one obligation to be among 30 for which the agency stated FSRs prevented them from entering.

We recommend department management continue with its improvement on the timeliness of FFATA submissions and also make inquiries to the operators of FSRs regarding the inability to enter certain submissions.

Assign responsibility to ensure review of subrecipient audit reports

Federal Awarding Agency:	U.S. Department of Homeland Security
Assistance Listing Number and Name:	97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Federal Award Numbers and Years:	Multiple
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.332(e)(2), (e)(3), (g), (h), (i); 2 CFR 200.521(a), (c), (d)

Federal regulations require recipients of federal awards ensure its subrecipients expending \$750,000 or more during fiscal years prior to October 1, 2024, are audited according to requirements in 2 CFR 200 Subpart F, and then to perform certain actions dependent upon audit results. To satisfy this requirement, the Department of Administrative Services assigns Oregon state departments to be audit agencies. An audit agency is to:

- Ensure the subrecipient received an audit or consider sanctions per 2 CFR 200.339.
- Ensure the subrecipient takes corrective action on all findings negatively affecting subawards.
- Issue a management decision within six months of the Federal Audit Clearinghouse's acceptance of the subrecipient's audit report if there were findings pertaining to the agency's subawards.
- Contact other state agencies that have also passed through funds to the subrecipients (contributing agencies), alerting them to findings related to their programs.

In fiscal year 2024, DAS assigned the Oregon Department of Emergency Management (department) to review 27 of the state's 369 subrecipients' audits, receiving a total of \$176.2 million in pass-through funding from 20 state agencies. The department did not review any of these entities because they determined their other commitments were higher priorities. We reviewed two of these subrecipients and found one expended a total of \$36 million and had one audit finding that may affect various federal programs. This subrecipient received pass-through funding from five other contributing agencies who were not informed of the finding. This does not preclude the remaining 25 subrecipients from having audit findings requiring communication to the contributing agencies.

We recommend department management complete its review of subrecipient audits as soon as possible to ensure its monitoring procedures are sufficient, and to inform contributing agencies of any deficiencies that may affect their programs.

Prior Year Findings

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

During fiscal year 2024, the department implemented policies and procedures addressing both findings. The findings will be reported in the Statewide Single Audit Report for the fiscal year-ended June 30, 2024 with the following status.

Prior Year Finding No.	Finding Title	Status
2023-033	Implement controls over FFATA reporting	Partial corrective action
2023-034	Fully implement subrecipient risk assessments	Corrective action

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 Kelly Olson by March 17, 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 Janet Lowrey or Kelly Olson at Janet.Lowrey@sos.oregon.gov or Kelly.L.Olson@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Patence Winningham, Deputy Director
 Amy Mettler, Chief Financial Officer
 Lorilei Broughton, 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
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.
Matching	Determined whether the minimum amount or percentage of contributions or matching funds was provided.
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.
Subrecipient Monitoring	Determined whether the state agency monitored subrecipient activities to provide reasonable assurance that the subrecipient administered federal awards in compliance with federal requirements.
Special Tests and Provisions	Determined whether the department complied with the additional federal requirements identified in the OMB Compliance Supplement.