



Steve Bergmann
Division Director

March 3, 2025

Andrea Bell, Executive Director
Oregon Housing and Community Services
725 Summer Street NE, Suite B
Salem, Oregon 97301

Dear Director Bell:

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

Assistance Listing Number	Program Name	Audit Amount
93.568	Low-Income Home Energy Assistance Program (LIHEAP)	\$ 55,859,956

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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Tobias Read
Oregon Secretary of State

Michael Kaplan
Deputy Secretary of State

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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 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 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

Federal reports should contain accurate information

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Number and Name:	93.568 Low-Income Home Energy Assistance Program
Federal Award Numbers and Years:	2302ORLIEI, 2023
Compliance Requirement:	Reporting
Type of Finding:	Significant Deficiency; Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.302(b)(2); 2 CFR 200.303

Federal regulations require that federal reports are accurate and supported by applicable accounting records. Federal regulations also require management to establish and maintain effective internal control over the federal award.

Based on our testing, we identified multiple reports where the amount of obligated funds for the Infrastructure Investment and Jobs Act (IIJA) was not appropriately reported. Funds for this grant were obligated through separate contracts, which differed from the department's standard process of obligating funds through their grant management system application. At the time these reports were completed, the preparing staff did not have a summary of the IIJA obligations, which resulted in errors in the following September 2023 report line items:

- SF-425, Federal Share of Unliquidated Obligations
- LIHEAP Performance Data Form, Unobligated Infrastructure Act Funds Carried Over to next FFY
- LIHEAP Carryover and Reallotment Report, Carryover Amount

- LIHEAP Quarterly Performance and Management Report, Amount of Funds Obligated. Additionally, documentation was not retained to show this report was approved.

Based on submitted reports, it appeared the department did not obligate at least 90% of the award by September 30, 2023, as required. However, based on our testing we determined the department had obligated over 90% of the award by September 30, 2023.

We recommend department management strengthen internal controls to ensure the required LIHEAP reports contain accurate information.

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 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 Sarah Anderson by March 10, 2025, and provide Rob Hamilton, State Controller, with 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 Shelly Cardenas or Sarah Anderson at shelly.l.cardenas@sos.oregon.gov or sarah.a.anderson@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Caleb Yant, Deputy Director
Dean Criscola, Controller
Beth Brown, Assistant Director of Accounting
Christian Kelly, Chief Internal Auditor
Jill Smith, Assistant Director of Energy Services
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
Cash Management	Confirmed program costs were paid for before federal reimbursement was requested, or federal cash drawn in advance was for an immediate need, and applicable interest was reported/remitted.
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.
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.