



Steve Bergmann
Division Director

March 17, 2025

Dr. Charlene Williams, Director
Oregon Department of Education
255 Capitol St. NE
Salem, OR 97310

Dear Director Williams:

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

Assistance Listing Number	Program Name	Audit Amount
84.027	Special Education Grants to States [IDEA]	\$ 162,212,730

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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Tobias Read
Oregon Secretary of State

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Deputy Secretary of State

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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 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 Finding and Recommendation

Perform regular fiscal monitoring as part of subrecipient monitoring

Federal Awarding Agency:	U.S. Department of Education
Assistance Listing Number and Name:	84.027 Special Education – Grants to States (IDEA Part B)
Federal Award Numbers and Years:	H027A230095, 2024; H027A230095-23A, 2024
Compliance Requirement(s):	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR 200.332(e)

As part of our audit of the Special Education Grants to States program (program) at the Oregon Department of Education (department), we reviewed the department's procedures for monitoring subrecipients to ensure program compliance. The department has several layers to the subrecipient monitoring requirements and has procedures to perform programmatic reviews, fiscal reviews, and other reviews based upon a risk assessment.

For the fiscal monitoring, the department has a procedure in place to ensure that every subrecipient is reviewed at least once every three years, with approximately one-third of the subrecipients reviewed each year. In our testing, we reviewed a sample of seven of the 67 subrecipients that were scheduled for review in fiscal year 2024. In our initial sample, we found that one of the seven was not monitored during the year. We expanded our testing by selecting another ten subrecipients and the department could not provide support that the review was completed for nine of the ten. Per discussion with department staff, the specific subrecipient in our original sample had not had a fiscal review since January 2021. The fiscal monitoring was not performed as the subrecipient had not drawn funds from a specific grant period prior to the review process, although they had drawn from previous grant awards during the year.

Failure to adequately monitor subrecipient compliance and supporting documentation increases the risk of inappropriate spending and noncompliance with federal requirements.

We recommend department management ensure subrecipient fiscal monitoring is performed on the schedule set by department policy. We also recommend the department develop a procedure to track the completion of fiscal monitoring.

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 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 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 Kelly Olson by March 21, 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 Geoff Hill or Kelly Olson at geoff.m.hill@sos.oregon.gov or kelly.l.olson@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Tenneal Wetherell, Assistant Superintendent
Amber Forster, Chief Financial Officer
Ramonda Olaloye, Office of Enhancing Student Opportunities
Allyson McNeill, Director of Resource Management Operations
Kristie Miller, Accounting Manager
Lisa Durden, Internal Auditor
Jennifer Scurlock, Chair of the Oregon State Board of Education
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, 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.
Period of Performance	Determined whether federal funds were used only for allowable costs incurred during the authorized performance period.
Procurement and Suspension and Debarment	Determined whether procurements were made in compliance with state procurement requirements and verified that contractors were not suspended, debarred, or otherwise excluded from receiving federal funds.
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.