



Steve Bergmann
Division Director

January 14, 2026

Liesl Wendt, Director
Oregon Department of Human Services
500 Summer St NE, E15
Salem, Oregon 97301

Dr. Sejal Hathi, Director
Oregon Health Authority
500 Summer St NE, E20
Salem, Oregon 97301

Dear Director Wendt and Director Hathi:

We have completed audit work of selected financial accounts at the Oregon Department of Human Services and Oregon Health Authority (departments) for the year ended June 30, 2025. This audit work was not a comprehensive financial audit of the department but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2025, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

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 a 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.

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Salem, Oregon 97310

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Other Issue

During the course of our audit, we became aware of the following matter that is considered an opportunity for strengthening internal controls. This matter does not require a written response from management.

Payroll is initially processed in Workday and is recorded in the statewide accounting system via automated interface. According to OAM 10.10.00.PR, each state agency is responsible for ensuring complete and accurate accounting records. Additionally, OAM 45.17.00 requires each state agency to maintain an audit trail for any structure changes made prior to transactions posting to the accounting system. The structure changes must reconcile to and balance with Workday payroll reports. The Office of Financial Services, a shared service of the departments, performs a reconciliation to verify the completeness of monthly payroll processing. However, because the reconciliation is performed at the agency level, the verification of completeness does not provide assurance over the consistency of payroll expenditure totals between Workday and the accounting system at the detailed transaction coding level. A potential misclassification of payroll expenditures for financial reporting purposes may occur and go unnoticed without reconciling the aggregate cost for each detailed Workday transaction coding against the totals that interfaced into the accounting system, taking into account any transaction coding changes that may have been necessary prior to the interface.

Prior Year Finding

In the prior fiscal year, we reported a significant deficiency related to the departments' need to strengthen internal controls over the ONE system in a letter dated January 2, 2025. This finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2024, see Secretary of State audit report number 2025-10, finding number 2024-001. During fiscal year 2025, the departments continued to work with their vendor to obtain a SOC 2 Type II audit over the ONE system with the first audit expected to occur in 2026. Additionally, the departments are working to obtain reports that will allow for the reconciliation of ONE transactions. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2025, with a status of partial corrective action taken.

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 Michelle Searfus, Audit Manager or Michael Yamamoto, Principal Auditor at michelle.n.searfus@sos.oregon.gov or michael.j.yamamoto@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Dana Hittle, ODHS Acting Deputy Director
Kris Kautz, OHA Deputy Director for Administration
Rob Kodiriy, ODHS Chief Financial Officer
Rochelle Layton, OHA Chief Financial Officer
Shawn Jacobsen, Controller
Sarah Landis, Chief Audit Executive
Betsy Imholt, Director, Department of Administrative Services
Robert Hamilton, State Controller, Department of Administrative Services