

**Steve Bergmann**

*Division Director*

October 22, 2025

Betsy Imholt, Director  
Oregon Department of Administrative Services  
155 Cottage Street NE  
Salem, OR 97301

Dear Betsy Imholt:

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, 2025. We performed this audit work as part of our fiscal year 2025 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 March 11, 2025, 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 department's 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 remained complete and accurate during processing, and outputs

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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 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.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses.

## **Other Matter**

During 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.

As part of our audit, we reviewed the internal controls over the Workday application and noted the Oregon Accounting Manual (OAM) policy 45.17.00 requires state agencies to complete a reconciliation of Workday to SFMA. To support our testing, auditors reviewed and evaluated the reconciliations completed by selected state agencies. We found a wide disparity in the quality of the reconciliations performed. For example, agencies had taken steps to reconcile at the Program Cost Account (PCA) level in SFMA, others stated that they reconciled only at the agency-wide level and did not document or maintain their reconciliations. Similarly, some agencies relied primarily on the review of the 530 screen in SFMA to identify batches that suspend for mismatched PCAs in Workday and SFMA. Reviewing only this screen would not sufficiently identify errors in the interface process. Two agencies did not perform reconciliation procedures.

Agencies performing reconciliations used the Workday datamart maintained by the Office of the State Controller as the primary source of data to support the Workday balances. Neither the SFMA nor the Workday datamarts are the book of record for financial transactions and payroll transactions, respectively. Using data derived from the datamarts rather than data directly from the systems increases the risk of error and inaccurate reconciliations.

Reconciliations are a necessary function to ensure data that migrates between systems is complete, timely, and accurate. Failure to accurately reconcile the data increases the risk of errors in financial reporting and grant accounting.

As part of our audit, we also reviewed other sections of the OAM pertaining to internal controls relevant to payroll. We found much of OAM Chapter 45 (Payroll) had not been updated since 2008 or prior. As such, the requirements were outdated and did not include specific policies and expectations for Workday.

Specifically, policy 45.35.00 requires agency staff to review reports from the previous payroll application that do not exist as available reports from Workday. Inadequately defined expectations for agency controls increases the likelihood that the appropriate controls will not be completed, resulting in an increased risk of inaccurate financial reporting and non-compliance with federal grant rules and regulations. Although the OAM makes these responsibilities of the individual state agencies, we believe the Office of the State Controller should be aware of the internal control deficiencies as it may reflect a broader risk to the integrity of the state's financial and compliance reporting.

**We recommend** the department update the applicable section(s) of the Oregon Accounting Manual to provide the necessary clarification and expectations for state agencies. **Additionally, we recommend** the policy include guidance about reconciling specifically to Workday rather than information obtained from the Workday datamart.

### Prior Year Findings

In fiscal year 2023, we reported a material weakness related to the department's configurations of system controls and lack of system documentation in a letter dated November 17, 2023. 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 2024-14, finding number 2023-002. During fiscal year 2025, the department addressed the finding by developing system documentation and improving communications with agency staff among other items. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2025, with a status of Corrective Action Taken.

Additionally, in fiscal year 2024, we reported a significant deficiency related to the documentation of the Daily Dual Access Report that can identify incompatible and inappropriate user access in a letter dated October 7, 2024. 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 2024-002. During fiscal year 2025, the department addressed the finding by implementing updated record retention policies. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2025, with a status of 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 Sarah Anderson, Audit Manager or Geoff Hill, Principal Auditor at [sarah.a.anderson@sos.oregon.gov](mailto:sarah.a.anderson@sos.oregon.gov) or [geoff.m.hill@sos.oregon.gov](mailto:geoff.m.hill@sos.oregon.gov).

Sincerely,

*Office of the Secretary of State, Audits Division*

cc: Satish Upadhyay, Deputy Director  
Kate Nass, Chief Financial Officer  
Robert Hamilton, State Controller  
Fabiola Flores, Deputy State Controller  
Justin Brown, Statewide Financial Services Manager  
Jill Coleman, Workday Oregon IT Manager  
Eli Ritchie, Chief Audit Executive