Secretary of State
Oregon Audits Division

Department of Administrative Services

Enhanced Transparency in Key Budget Practices Would Improve Governance and Inform Decision-Making for State Spending

July 2019
Report 2019-29

Executive Summary

Department of Administrative Services

Enhanced Transparency in Key Budget Practices Would Improve Governance and Inform Decision-Making for State Spending

Why This Audit is Important

» State government budgets are complex and important documents that guide policy and strategic decisions.

» The Department of Administrative Services (DAS) oversees several processes key to the development and execution of the state budget.

» DAS can improve the transparency of state spending through better oversight of end of biennium expenditures.

» Other areas where transparency can be improved include position management and the operation of the state transparency website.

» Improving transparency can increase fiscal responsibility, generate savings, better inform future budget decisions, and enhance public participation in state government.

What We Found

1. Agencies spend General Fund dollars at higher rates than other funding sources and increase spending in discretionary areas at the end of the biennium. The Government Accountability Office, other states, and other national governments have found heightened spending at the end of budget cycles increases the risk that expenditures are low quality, low priority, or wasteful. Incentives inherent to public budgeting and elements of Oregon's budget policy and process likely contribute to these risks. (pg. 9)

2. Double-fills — the practice of more than one person filling a single budgeted position — are a common position management practice used to address workload, but limited information exists as to how agencies use double-fills. The Legislature has expressed concerns about not having enough information to understand agency staffing needs and practices. DAS can enhance transparency in this area through improved tracking, increased reporting, and clarification of policy. (pg. 15)

3. Oregon was once a leader in online government transparency, but a resource limitation in state law and competing priorities have led to stagnation in this area. Other states provide clear models for how Oregon can enhance online transparency, including the opportunity to provide a more functional website at a lower cost than DAS currently pays. (pg. 19)

What We Recommend

Our report includes 16 recommendations to DAS intended to enhance transparency in key budget processes. DAS agreed with 12 of our recommendations, partially agreed with two recommendations, and declined to agree or disagree with two recommendations. The agency's full response letter can be found at the end of the report.

We have included a rebuttal to the agency's response that is intended to provide additional information and context for citizens and stakeholders. Our rebuttal can be found in Appendix A after the agency's response.
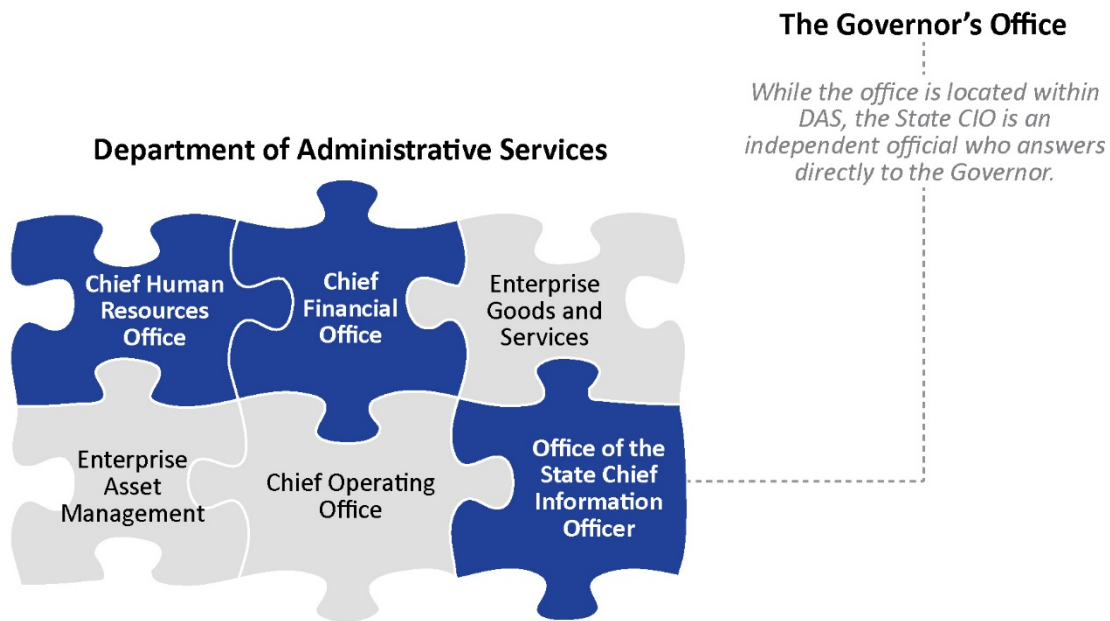
The Oregon Secretary of State Audits Division is an independent, nonpartisan organization that conducts audits based on objective, reliable information to help state government operate more efficiently and effectively. The summary above should be considered in connection with a careful review of the full report.

Introduction

The Oregon Department of Administrative Services (DAS) is the central administrative agency that supports state government through coordination of statewide services and administrative policies. DAS is comprised of five offices. This audit focuses on work three of those offices perform:

- The Chief Financial Office establishes and enforces statewide budget standards and monitors agencies to ensure that funds are spent within legal and budgetary constraints.
- The Office of the State Chief Information Officer (OSCIO) maintains policy and statewide information technology (IT) oversight functions. The OSCIO is responsible for the State Data Center, IT governance and security, the Stage Gate review process for proposed agency IT projects, and the state transparency website.[1] Though the office is housed within DAS, the State CIO reports directly to the Governor, much like an agency director.
- The Chief Human Resources Office (CHRO) oversees personnel-related policies to help agencies recruit, hire, and retain the state's workforce. The CHRO is also responsible for managing the state's human resources information system, Workday.

The objective of this audit was to determine how DAS can improve governance and inform decision-making through transparency of state spending.

The Governor's Office

While the office is located within DAS, the State CIO is an independent official who answers directly to the Governor.

Department of Administrative Services

Budgeting in Oregon is complex and involves many stakeholders

In state government, budgets are economic, legal, and political documents that guide how organizations spend limited resources to achieve the goals of state leaders and the public. An organization's budget is often considered its most important policy and strategy document, as funding decisions impact every service and operational aspect of an organization.

Government budgets at the state level are complex. They detail how multiple sources of revenue, such as taxes and fees, will be used to fund a wide range of services, such as health care, public safety, education, and natural resource management. In Oregon, the budget is set on a biennial,

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[1] "Stage Gate" is a review and approval process for significant IT projects, and is managed by the Oregon State Chief Information Officer.

or two-year, basis. Oregon's constitution stipulates the budget must be balanced, meaning revenue is sufficient to cover projected expenditures.

The budget development process has many steps involving various parties within state government. At a high-level, budget development can be simplified into three major phases: the Agency Request Budget, the Governor's Recommended Budget, and the Legislatively Adopted Budget. The process takes a significant amount of time to complete. The agency budget kickoff occurs in the spring, roughly a year before odd-year legislative sessions when the Legislature adopts a biennial budget. There are a number of times when the Legislature can adjust this budget; for example, during a meeting of the Emergency Board, a special session, or the short session that occurs in the even numbered years.

Figure 1: The state budget operates on a biennial cycle
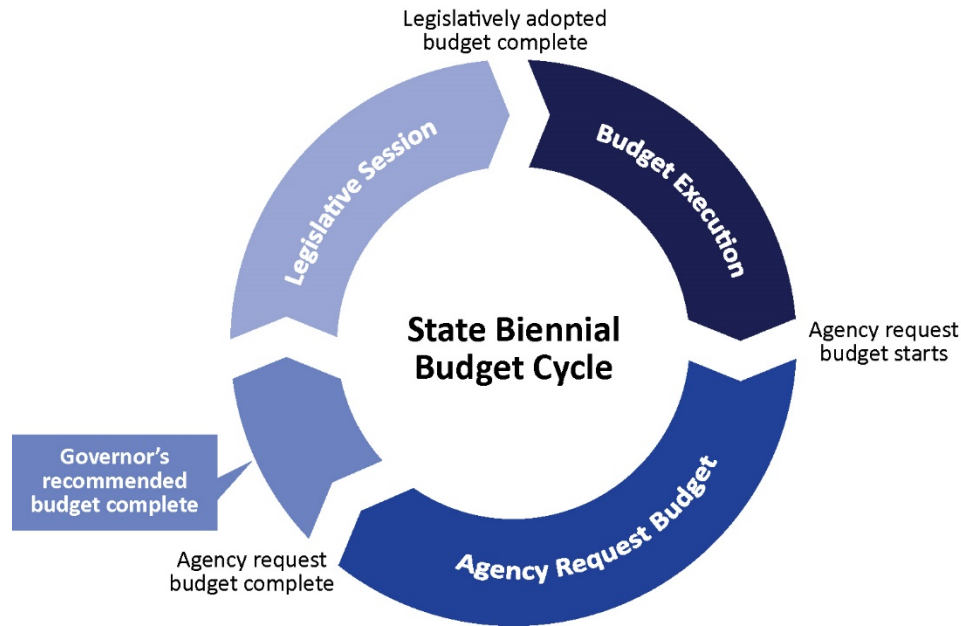
Source: Oregon 2019-2021 Agency Budget Instructions

State agencies develop budget requests that describe their core mission and priorities, provide historical information, project future needs, and provide an estimate of the cost for maintaining current service levels.

The **Governor's Office** and DAS review and analyze agency requests in order to compile the Governor's Recommended Budget; this budget is the starting point for budget negotiations during the legislative session. DAS also provides a number of services related to budget development, execution, and ongoing management — covered in greater detail later in this report.

The Governor's Recommended Budget is presented to the **Legislature** during legislative session. The Joint Committee on Ways and Means, or one of its seven subcommittees,[2] review agency programs and budget information, hold public hearings to gather perspectives from stakeholders, and make recommendations to the agency's budget in budget bills.

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[2] Subcommittees of the Joint Ways and Means Committee include Capital Construction, Education, General Government, Human Services, Natural Resources, Transportation and Economic Development, and Public Safety.
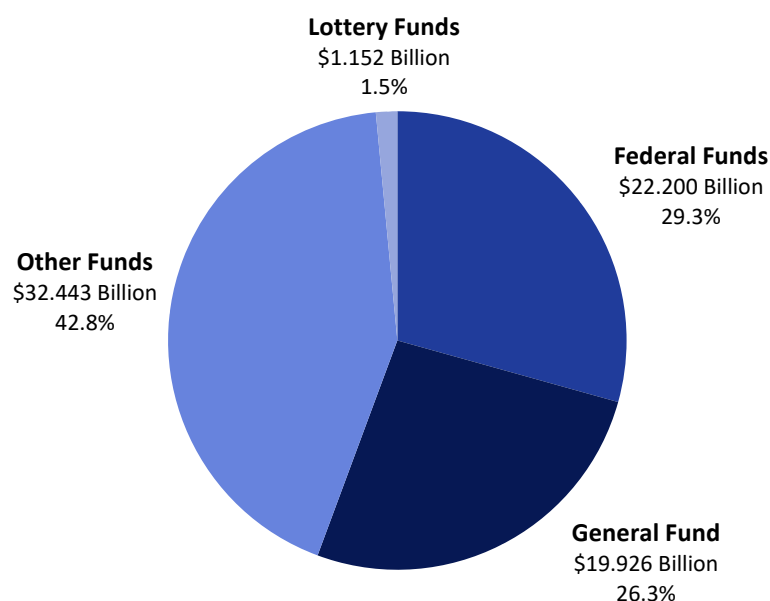
The **Legislative Fiscal Office** is a non-partisan legislative agency that provides research, analysis, and recommendations on the state's biennial budget, evaluates state agencies and programs, and prepares fiscal impact statements for proposed legislation.

During session, legislators consider changes to state law and set the state's budget for the upcoming biennium. These elected officials require information, which they receive through budget documentation prepared by state agencies with the help of DAS's Budget and Management unit, the Legislative Fiscal Office, and the Governor's Office. They also hear testimony from members of the public, special interest groups, and agency personnel. Legislators desire to know what agencies are doing, and what their resource needs are to accomplish their stated mission.

Oregon's budget is comprised of several sources of revenue

The state raises revenue to fund its operations in a variety of ways. These revenues are categorized in fund types. Each of these funds are subject to policies that guide their use, such as restrictions on how they can be spent.

Figure 2: The 2017-19 legislatively adopted budget was $75.721 billion dollars

Lottery Funds
$1.152 Billion
1.5%

Federal Funds
$22.200 Billion
29.3%

Other Funds
$32.443 Billion
42.8%

General Fund
$19.926 Billion
26.3%

Source: 2017-19 Budget Highlights Update from March 2018, Legislative Fiscal Office

The **General Fund** is derived almost entirely from income taxes paid by Oregonians and Oregon businesses. It is the most flexible and discretionary fund available to the Governor and the Legislature. The Legislature appropriates a set amount of General Fund revenues to agencies, who cannot overspend these appropriations. Income tax revenue is considered highly volatile by budget experts, as it can change rapidly following a shift in the overall economy of the state. If a state agency does not spend all of the General Fund revenues appropriated by the Legislature, the agency must return the unspent dollars to the General Fund for the following budget cycle in a process known as reversion.

Other Funds are the single largest category of state revenues. A diverse array of revenue mechanisms are included in this category, such as licensing fees, fees for services, and some taxes. Other Funds typically do not revert, but are available to the agency following the end of the biennium. The Legislature sets limitations for how much agencies can spend from their Other Fund accounts in a given biennium, even if additional dollars are present in those accounts.

Federal Funds are revenues provided by the federal government to be used for specific programs and services. Some federal funds are provided as precise dollar amounts, but many involve a matching formula that requires the state to spend a certain level of its own dollars to unlock the federal funds.

Lottery Funds are derived from the operation of the state lottery and are dedicated to specific purposes per the state constitution. These purposes include parks and natural resources, economic development, and education.[3] Lottery funds also revert to the state at the end of the biennium.

State leaders have faced difficult funding decisions in recent biennia

Oregon's economy eventually recovered from the 2008 recession and state revenues have increased in recent years. The most recent economic forecast estimated a $2.1 billion increase in revenue for 2019-21 from the previous biennium. This estimate is $900 million more than originally projected. Even with these significant increases in revenue, the state still faces challenging budget decisions.

Typically, the state budget grows every biennium. The 2017-19 Legislatively Approved Budget represented a 5.4% increase from 2015-17, which was the smallest increase since 1987-89. However, spending from the General Fund grew disproportionately, rising 10.2%. This continued a trend of double-digit percentage growth. Due to the flexibility associated with the General Fund, competition for these dollars is likely to remain intense.

In order to close a budget shortfall of $1.7 billion in 2017, legislators passed enhanced revenue packages and cost-containment bills that sought to reduce employee costs, and limit growth in health care costs. In April 2017, the Governor signed an executive order directing agencies to take immediate cost saving measures in order to protect essential services and reduce spending, despite the agencies already having taken extraordinary steps to reduce costs and find efficiencies in the past.

Aligning government-wide priorities and individual agency goals is a challenge

Many governments have similar fund structures to Oregon, where funds that are not expended at the end of a budget cycle are re-distributed in the following cycle. Because of this structure, it has been theorized that agencies rush to expend funds at the end of budget cycles to use these funds before they are lost.

Agencies have also expressed a concern that failure to fully use allocated funds will signal to the Legislature those funds are not necessary, resulting not only in a loss of current funds but also a reduction to the following biennium's budget. However, when we reviewed Oregon agencies that reverted funds at the end of prior biennia, we found no instances in which reversions led to an agency-wide reduction in funding for the next biennium.

Government leaders and academics have studied this "use it or lose it" problem for decades and found it is common for governments at multiple levels to engage in this behavior. These analyses, performed by organizations ranging from state audit functions, to the United States Government Accountability Office (GAO), and other national governments, also found that heightened spending at the end of budget cycles increases the risk that spending could be low quality, low priority, or wasteful. These studies suggest actual wasteful spending is rare.

Low-priority spending is not inherently inappropriate, as the goods or services purchased provide some value to an agency. However, these purchases are not essential to the completion

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[3] https://www.oregonlegislature.gov/bills_laws/Pages/OrConst.aspx

of an agency's mission. When one agency spends resources on low-priority services or supplies, other agencies that have higher-priority needs are not able to spend these resources. For example, the State Auditor of Missouri found that some agencies made year-end purchases that led to higher than normal inventory levels for several supplies and equipment, such as $100,000 in excess postage. Much of these supplies were not placed into service in a timely manner.

Low-quality spending may be the result of rushed oversight or bypassed controls due to increased volume of expenditures at end of the budget cycle. The National Bureau of Economic Research found that IT contracts initiated at the end of the fiscal year were more likely to be of low quality than those initiated at other times. This indicates that agencies were potentially rushing to commit resources as soon as possible to prevent reversion of available funds.

Wasteful spending occurs when resources are expended carelessly, extravagantly, or to no purpose. In rare circumstances, wasteful spending could include instances of fraud or abuse. None of the audits or studies we reviewed identified clear cases of fraud or abuse as a result of increased spending at the end of budget cycles, but the GAO has identified unusual spending patterns and heightened year-end spending as conditions that increase the risk of fraud, waste, and abuse.

While agencies provide meaningful services, the state as a whole, as represented by the Legislature, has a responsibility to meet a wide variety of competing public needs. In an environment where resources are limited, agencies have the incentive to maximize the resources they can spend to accomplish their own mission, even at the expense of other agencies and priorities that affect all of state government.

The Oregon Legislature has declared in law[4] that state government must allocate its resources for effective and efficient delivery of public services, and that methods for achieving this overarching goal include encouraging savings, promoting investments that achieve efficiencies, and requiring accountability to meet program outcomes. State agencies have the ability to spend every dollar they are appropriated, but every dollar a state agency saves could be reallocated by the Legislature to other state priorities.

Government agencies have a responsibility to be transparent and face increasing public expectations

Citizens increasingly expect information and services to be available on-demand — which, for most people, means it is available online. Expectations that this information is searchable, intuitive, and visually-appealing are also on the rise. If a given resource does not meet these demands, it is increasingly likely members of the public will not use that resource.

An example of increased public expectations for information about government relates to public records. Due to the increased volume of public records requests, which are sometimes broad in scope, governments face challenges in meeting requests within reasonable time periods, which are sometimes prescribed in law or policy. Fulfilling public records requests often requires public employees to divert their attention from regular business. Responding to requests can be complex, as there are over 500 exemptions to the Oregon public records law.[5] As a result, some governments levy fees to fulfill requests, which leads to possible appeals processes, litigation, and further delays.

The Oregon Public Records Advocate recently described public records as the best chance the public has to understand the function of government, and a resource that is necessary to fully

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[4] ORS 291.200
[5] Public records exemptions can be accessed at: https://justice.oregon.gov/PublicRecordsExemptions/

exercise a citizen's rights within a democracy. Oregon law requires a response within 15 working days, but also allows for public agencies to delay responses for a variety of reasons.[6]

Governments at every level, including federal, state, and local, have attempted to respond to these trends by changing public records policies, placing an emphasis on proactively releasing information of public interest, and publishing this information online. This proactive disclosure can often result in savings and relieve workload pressures on agency staff.

Transparency in government spending is of particular interest to Oregonians

One particular area of concern is how governments spend tax dollars. Budget and tax-related bills proposed as part of the legislative process or placed on ballots often draw significant public attention, advocacy, and discourse. The public's interest in these topics is evident in what is viewed most frequently on the Oregon Transparency website. This website, hosted by the Department of Administrative Services, contains many sources of information intended to improve the transparency of government. Other than the home page, the top viewed pages on the website are those related to taxes and spending, such as employee payroll, state budgets, available revenues, government expenditures, and contracts.

The state dedicates significant resources to create, manage, and monitor budgets. In the Legislature, these resources include the Joint Legislative Ways and Means Committee and its subcommittees, the emergency board, and the Legislative Fiscal Office. DAS has multiple divisions focused on financial management and state agencies employ many individuals whose main responsibilities involve budgeting, accounting, and managing revenue and spending.

Studies point to the value of open government data for economies as a whole.[7] Budgets, revenues, and expenditures are among the most recommended areas for proactive disclosure of government records, which can lead to such benefits as better-performing markets, a better-informed public, and concrete policy changes.

DAS plays a large role in facilitating Oregon's transparency efforts

DAS serves as the central administrative agency for the state. The agency oversees several processes key to the development and execution of the state budget, including controls related to end of biennium spending, alternative position management strategies such as "double-fills," and the Oregon transparency website.

DAS plays a role in monitoring spending, but timing of spending can introduce risk

The Budget and Management unit within DAS's Chief Financial Office employs 12 staff who help build agency request budgets that are ultimately considered by the Governor when developing her recommended budget. Once the budget is enacted, these analysts monitor budget performance, approve the allotment of agency funds, and analyze agency program and staffing requests. As part of their work with agencies, analysts look at double-fills and ask agencies to make the case for using them.

The Budget and Management unit is also responsible for budget oversight and has the legal authority to direct, manage, and inspect agency financial practices and information. After a

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[6] ORS 192.324 requires agencies to acknowledge receipt of requests within five business days, and an additional ten business days to fulfill the request or provide a reasonable estimate on the timeframe needed to fulfill the request.
[7] Analysis by McKinsey and Company, https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/open-data-unlocking-innovation-and-performance-with-liquid-information.

budget is passed, budget execution begins and agencies begin spending their resources as they perform their duties.

DAS is aware that agencies engage in heightened end of biennium spending and sees spending late in the biennium as a prudent practice given the uncertainty of revenues and priorities facing agencies. DAS generally focuses on ensuring that agencies do not exceed expenditure limitations and that agencies are not compromising their missions by dramatically underspending their available resources. Less focus is put on the timing of expenditures except in times when budgets cuts are deemed necessary. Then DAS can institute targeted spending controls.

Through its human resources division, DAS provides guidelines on how agencies use double-fill positions

One of Oregon's significant costs is its employees. Through the budget process, the Legislature provides authority for a specified number of positions and full-time equivalent (FTE) employees. State policy provides agencies with flexibility in how they use their funding and positions. This includes double-filling, a position management tool that allows an agency to temporarily place multiple people into one budgeted position to address workload or training needs.

Double-fills are one of many alternative position management practices used at Oregon state agencies. With a double-filled position, an agency places more than one employee within a single position number in state personnel management systems. DAS sets state policy dictating when agencies can double-fill positions. The policy includes approved cases when double-filling a position is considered a good management practice — such as addressing a short-term increase in workload, ensuring a smooth transition with an upcoming retirement, succession planning, or establishing a rotation or job-share.[8]

Double-fills provide flexibility to agencies in managing the workforce, responding to emerging needs, and moving funds to where they are needed, but there are drawbacks. Through Workday,[9] DAS has the ability to track these positions, and provide reports to the Legislature, but has yet to do so. As a result, these practices may obscure budget needs, making it more difficult for legislators to develop and approve budgets that reflect state priorities and the needs of the agency.

DAS is charged with managing the Oregon Transparency Website

DAS and the OSCIO created the Oregon Transparency Website in 2009 in response to the passage of bi-partisan legislation[10]. The development of the website was an advancement for efforts to improve transparency following passage of Oregon's public records law in 1973.

The transparency website contains information and links to a large number of reports and data sets including budgets, revenues, expenditures, contracts, state payroll, performance measures, education, economic development, and local and special government bodies. The transparency website is the most visible source for the public on information related to state expenditures and is a key tool for ensuring transparency in government spending and promoting informed decision-making.

The same law creating the website also created the Transparency Oregon Advisory Commission, made up of legislators and representatives from the executive branch, Legislative Fiscal Office, and the public. The commission is responsible for providing advice and recommendations for

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[8] A rotation is when an employee works in another position within their same state agency, or at another agency. A job share is when more than one part-time individual shares a full-time position.

[9] Workday is a new human resource information system that replaced PPDB during the course of the audit.

[10] https://www.oregon.gov/transparency/pages/index.aspx

the creation, contents, and operation of the website, as well as providing a biennial report to the Legislature on enhancements made and potential future improvements. While the Commission serves in an advisory capacity, DAS and the OSCIO are ultimately responsible for managing and improving the transparency website.

Audit Results

Governments have a responsibility to be transparent with citizens, who are the ultimate holders of power and authority in a democratic system. Oregon's governor has emphasized the importance of holding state government accountable, in part by carefully allocating taxpayer dollars. The agency charged with oversight of key processes in developing and executing the state budget, DAS, could do more in support of this goal — primarily by increasing the amount and quality of information available to the public and decision-makers. This would enhance transparency and promote decision-makers' ability to make more informed decisions with taxpayer dollars. We identified three key areas where DAS could improve these efforts.

Agencies spend General Fund dollars at higher rates than other funding sources and increase spending in discretionary service and supplies categories[11] at biennium-end, a practice that increases the risk for spending that is low quality, low priority, or wasteful. Incentives inherent to public budgeting and elements of Oregon's budget policy and processes likely contribute to these conditions.

> **Agency spending**
> Agencies are incentivized to spend nearly all of their budgets, even in cases where this spending is not optimal.

Double-fills are a common position management practice used to address workload. The Legislature has expressed concerns around agency use of these positions, stating its desire for better information. We found DAS can enhance transparency in this area through improved tracking, increased reporting, and clarification of policy.

Oregon was once a leader in online government transparency, but a resource limitation in state law and competing priorities have led to stagnation in this area. Other states provide clear models for how Oregon can enhance online transparency, including the opportunity to provide a more functional website at a lower cost than DAS currently pays.

DAS could improve oversight of end of biennium spending to increase transparency, reduce risk, and better inform future budget decisions

We examined spending patterns at ten state agencies in Oregon and found spending in some discretionary categories increased at biennium-end. We did not examine individual transactions or attempt to determine if end of biennium spending was low quality, low priority, or wasteful, but focused instead on high-level spending patterns and existing controls. Prior audits and academic studies suggest heightened end of budget cycle spending may obscure agencies' resource needs, hinder oversight, or have the potential to be low priority, low quality, or wasteful.

Oregon budget policies promote a misalignment of incentives, where agencies are encouraged to spend all dollars that they would otherwise lose access to at the end of the budget period. These resources could otherwise be repurposed to support statewide priorities to the benefit of all agencies. We found policies modeled by other governments that could diminish the risk of potentially low-quality spending and promote the ability of the state to tackle long-term, statewide issues. Regardless of the benefits provided by implementation of such policies, carefully scrutinizing end of budget cycle spending promotes oversight and transparency of the use of state funds.

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[11] Services and Supplies can include personal service contracts, consumable materials, publishing, office supplies, travel, utilities, rent, and maintenance and repair of equipment and buildings.

State spending patterns show agencies use General Fund dollars at high rates

Agencies have experienced significant pressure to reduce expenditures in the face of rising costs while continuing to provide services in support of accomplishing their missions. Revenues associated with the state's General Fund are especially valuable, as these resources offer flexibility in responding to emerging opportunities and challenges. Statewide dependence on General Fund dollars has increased due to reductions in federal support and relatively low increases in Other Fund revenues.

We found that agencies spend their General Fund appropriations at a higher rate throughout the biennium than their Other Fund appropriations and overall budgets.

Figure 3: Agencies use General Fund dollars at the highest rate

Biennium	Average Overall Utilization	Average General Fund Utilization	Average Difference	Average Other Funds Ltd Utilization	Average Difference
2015-17	81.77%	98.75%	16.98%	80.94%	-0.83%
2013-15	83.64%	99.68%	16.04%	75.92%	-7.72%

On average, agencies spend 16% more of their General Fund appropriations than their overall budget. In contrast, agencies have an average utilization rate for Other Funds that is about 4% less than their overall budget. Other Fund limitations are often set at a relatively high level, to allow agencies to benefit from potential or unexpected revenues like grants and increased fee revenues. DAS does not expect most agencies to spend up to their limitation, which helps to explain the gap in utilization rate.

The scale of the difference, however, indicates that agencies treat these funds differently when they make spending decisions. Given that General Fund dollars are lost through reversion at the end of the biennium, agencies are likely to prioritize the use of these funds, while preserving Other Funds that can be used in the future. DAS has not typically analyzed utilization rates, which would be valuable information for the Legislature in making policy and funding decisions.

One contributing factor for these spending patterns could be the potential for an agency to have future budgets reduced as a result of reverting funds. Some agency budget managers told the audit team they were concerned that high reversion amounts would result in cuts to subsequent budgets. While we found that past reversions are not predictive of future reductions at the agency level, this mindset could contribute to both heightened end of biennium spending and high-utilization of the General Fund.

Agencies appear to spend more in discretionary categories at biennium-end

We also examined spending patterns within discretionary budget categories. To look at these categories, we excluded expenditures related to employee payroll, interest payments on debt, and other expenditures where agencies have little choice but to make the payment. We found agencies generally spent more in the following categories,[12] at the end of the biennium: office supplies, office services, expendable property, medical supplies, facilities supplies, equipment rental, print services, and multiple purchases related to technology equipment and services and travel.

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[12] These categories are known as comptroller objects.

Agency staff and DAS management told us that a high fund utilization rate and spending more near the end of the biennium is a sign of good budgeting. However, this heightened spending at biennium-end increases risks for the state and complicates oversight and transparency.

Figure 4: Spending in discretionary categories by selected agencies[13] peaks at the end of the biennium
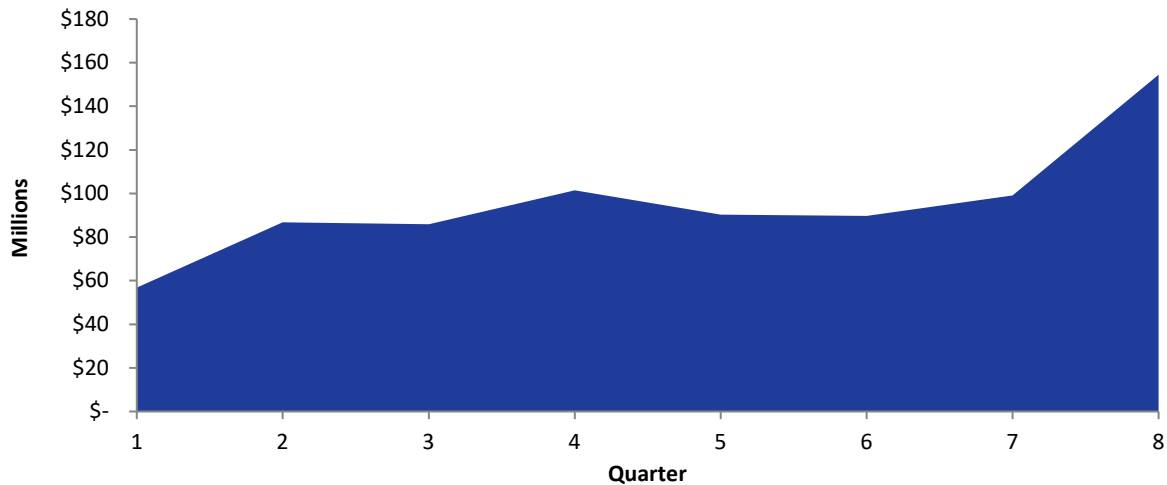
One risk identified by the GAO related to end of budget cycle spending is the approval of low-quality contracts or other procurement purchases. We interviewed staff from the OSCIO, which oversees IT investments[14] for over 100 agencies, boards, commissions, and other government entities. OSCIO staff told us that agencies often ask for many IT procurement reviews at biennium-end and indicated that the office does not have enough time to handle this increased workload. This rush undermines the ability of OSCIO staff to adequately review IT investments and evaluate the potential for reduced costs or efficiencies for multiple agencies.

OSCIO also told us this rush stymied their ability to do adequate market research for alternatives, perform robust quality assurance, and limited their ability to identify and mitigate risks. One agency specifically stated that they needed approval from the OSCIO to proceed with ordering hardware components due in part to "funding evaporating in June." We were told agencies generally do not put their desire to use up remaining funds in writing, but do express it in conversation as one reason for pursuing an IT investment at biennium-end.

While DAS does perform high-level monitoring of agency spending, DAS representatives and agency staff told us their approach is to ensure agencies do not exceed the total appropriation limit set by the Legislature. Using total expenditure limitations is a reasonable way to benchmark agency spending. The disadvantage of this approach, however, is that it does nothing to resolve the risks associated with end of biennium spending.

There are legitimate reasons why an agency may wait to spend on discretionary items; in fact, DAS's own budget management mechanisms may promote this practice. Agency representatives described that they start the biennium "in the hole" because of some savings expectations. For example, some agencies are required to achieve legislatively-mandated vacancy rates that are consistently higher than normal turnover. For agencies that struggle to meet their missions if not fully staffed, they must fund these vacancy expectations through reductions in other areas.

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[13] The ten agencies are: Department of Administrative Services, Department of Human Services, Oregon Health Authority, Oregon Housing and Community Service Department, Department of Transportation, Department of Corrections, Department of Education, Employment Department, Public Defense Services Commission, Construction Contractors Board.
[14] An Information Technology investment is generally made up of hardware and software goods and services such as purchasing a software program or desktop computers.

Another factor is accounting for inflation, or the expected growth in prices over time. Through the budget development process, it is common for inflation factors to be removed from agency budgets, so agencies expect their purchasing power to go down even if their budget in certain areas remains flat. DAS told us they use these mechanisms to drive efficiencies in the budget while allowing the agency flexibility in deciding where to cut costs.

It may take an agency most of the biennium to meet its vacancy savings goals and the reduction in inflation factors. This, in turn, makes it more likely the agency will increase its spending on goods and services at biennium-end, such as purchasing new computers for its staff. These purchases may be necessary, but they risk being rushed, purchased at non-value prices, or might be subject to the other issues already identified in this report related to end of biennium spending.

One agency told us they commonly purchase goods for the next biennium with funds in their current appropriation. Given that many of the comptroller objects with heightened end of biennium spending are forms of equipment and supplies, our results indicate there could be widespread use of this practice, which is in violation of Oregon accounting manual. This policy states "surplus funds should not be expended for the anticipated needs of the next biennium."[15]

Purchasing goods and services at biennium-end serves the needs of an agency, but the practice also introduces risks. For example, increased purchasing could lead to higher-than-normal inventories, increasing the risk of loss of supplies. Rushed procurement also increases the risk that prices available at the time do not represent strong value. Purchasing for future needs also complicates legislative oversight, as current needs of the agency are obscured when future needs are also included in current expenditures. One of the primary ways the Legislature determines future budgets is to consider the "current service level" of state agencies, which becomes harder to define in this scenario.

DAS's approach of considering agency spending as a "do not exceed" amount does not generally address the risks associated with the timing of expenditures and higher spending in discretionary comptroller objects at biennium-end. As a result, the Legislature could be missing necessary information to make informed budget decisions. Additionally, the practice of purchasing to meet future needs with appropriations in the current biennium further complicates legislative oversight.

Current statutory mechanisms to generate savings do not adequately address end of biennium spending

The Legislature has attempted at many points to encourage agencies to save funds and to mitigate the incentive to spend that reversions can create. These efforts, however, have had limited effect. DAS staff have not utilized these policies, and in some cases were not aware of their existence. Agencies' very limited use of these savings options likely indicates they gain more value by expending available funds at biennium-end.

In 1957, a bill established the Employee Suggestion Awards program, providing cash benefits to employees whose suggestions led to savings for the state.[16] The Legislature has amended the law a number of times, most recently in 2001. The most recent version of the law created the Employee Suggestion Awards Commission and charged it with determining which employee suggestions will lead to savings for the state and the level of payment for the employee who

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[15] Oregon Accounting Manual Policy 20.30.00.PO.108
[16] ORS 182.310-360

made the suggestion. This legislation is still on the books, but is not currently being implemented, as it appears the awards commission was disbanded.

In 1989, the Legislature passed a bill that stated "the present state budgeting system has developed inadequate mechanisms to reward efficiency in government agencies and programs." In order to encourage savings, the Legislature created the Productivity Improvement Revolving Fund for DAS to make loans, grants, matching funds, or cash awards to state agencies for the implementation of productivity improvement projects. DAS had no records of any money being distributed under this fund. Further, we could not find any accounts related to this revolving fund.

In 1993, the Legislature passed ORS 291.120, which allowed agencies to carry forward 50% of savings from one biennium into the next, rather than having those funds revert. This could only take place if DAS could certify that the savings were the result of an action taken by the agency rather than a change in service demand. The agency would be able to use the funding for the purposes of employee professional development, investments in technology and productivity enhancements, or expenditures that provide long-term benefits. DAS had no records of this statute being used to certify agency savings.

It is possible that the highly prescriptive nature of the process described for certifying savings, and the limited application of those savings under the law, does not sufficiently incentivize agencies to save when they can simply purchase to offset future needs in the current biennium.

Figure 5: Oregon has several ineffective policies and mechanisms to incentivize agency budget savings

Statute, Policy, or Mechanisms	Description	Recent Use
ORS 291.120	Allows agencies to keep funding that would otherwise revert in cases where agencies saved money as a result of their own actions	Not used in last 12 years, but still in statute
ORS 182.365-400	Authorizes DAS to make grants for agencies to implement productivity improvement projects	Not used in recent years, but still in statute
ORS 182.310-360	Authorized cash awards for employees who suggest improvements that lead to savings for the state	Defunct but still in statute
Increasing agency position vacancy factor	Mandates agencies meet minimum targets for vacancy rates, which are commonly higher than typical turnover	Used in recent budget cycles
Removing inflation factors	Removes expectation that purchasing power reduces over time due to increasing prices of goods and services	Used in recent budget cycles
Temporary spending freezes	Instructions from state leaders which direct agencies to take short-term cost savings measures	Used in tough budget times

Other governments have implemented policies to better align agency incentives with statewide priorities

Other governments have implemented various policies aimed at mitigating the risks associated with heightened end of budget cycle spending through improved rules and enhanced oversight. One of these policies[17] is an "Order of Expenditure" policy, which is designed to better align individual agencies with statewide priorities. This policy requires that state agencies spend from fund sources in a set order that preserves the General Fund. We were told by budget staff that, when faced with a choice, agencies generally choose to use General Fund dollars first as they have fewer restrictions than many Other Funds and Federal Funds. However, it is important to statewide interests to preserve General Fund dollars. It may sometimes be a legal requirement that General Funds are expended to carry out a particular program, or to receive reimbursement, but these are exceptions.

There is some precedent for this strategy in Oregon. The Oregon Health Authority hosts a work group, made up of state leaders and health industry representatives that determines how to structure the Oregon Health Plan budget in order to maximize available federal dollars. The expenditure order is employed as a principle for constructing the budget rather than as a statutory obligation or policy. There are, however, no enforcement mechanisms to ensure the strategy is followed during budget execution. The workgroup has not documented savings from the strategy, as doing so would be difficult.

A policy used in the federal government to mitigate end of budget cycle spending risk is the "Bona Fide Needs" rule. This rule does not allow federal agencies to purchase goods and services intended for use in the following budget cycle with funds from the current cycle. This rule is considered a "bedrock" of federal appropriations. Restricting the use of current funding for future needs could enhance transparency and promote the ability of the legislative branch to provide oversight.

Figure 6: Other governments employ policy mechanisms to reduce risk of end of budget cycle spending

Policy Mechanism	Summary	Who employs it?
Carryover	Allows agency to use some appropriated funds from an ongoing biennium in the subsequent biennium.	Federal Government, Various States
Order of Expenditure	Requires that public entities utilize funds from other sources before using General Funds.	States – such as Nevada, Washington, and South Carolina
Bona Fide Needs	Prohibits agencies from purchasing goods or services in one biennium for needs of a future biennium.	Federal government
80/20	Limits agency spending in the last two months of the fiscal year to 20% of the total budget.	Federal government

Implementation of these policies could assist the state in addressing statewide challenges

Aligning the incentives of state agencies with state interests is essential to ensuring government efficiently provides high-quality services that meet the public's needs. Oregon has opportunities

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[17] States that have implemented this policy include Washington, South Carolina, and Nevada

to make targeted policy and oversight improvements that could result in greater transparency, improved efficiency, and enhanced ability to respond to unforeseen circumstances.

Encouraging agencies to save General Fund dollars and expend other funding sources first would provide more flexibility for the state to respond to chronic problems because of flexibility of General Funds. A policy like Bona Fide needs would shift the risk of low-priority or low-quality spending at biennium-end to an agency's other funding sources rather than the General Fund.

Improving the ability of decision-makers to understand the actual resource needs of agencies would improve the budget-making process and increase the efficiency of state agencies. It will likely improve public trust in government by informing the public that taxpayer dollars are being spent wisely and to the greatest benefit to the public.

Encouraging agencies to reduce any potentially low-priority, low-quality, or wasteful spending would free up resources for state government. For example, the state could use savings to pay down the PERS liability, and increase funding to constitutionally-mandated services that are currently facing court challenges, such as mental health treatment and public legal defense, or further invest in the education system.

DAS can enhance transparency in agency spending through improved tracking, increased reporting, and setting clear policy for the double-fill position management practice

Using double-fills can provide a benefit to agencies, but the practice may hinder external oversight and decision-making. Though double-fills are generally intended to be a temporary and limited tool, there are nearly 1,900 double-fills statewide, many of which have been used for a long time.

Some agencies manage these positions with methods that violate state policy and reduce the transparency of position management and the associated state spending as a whole. As the state implements Workday, DAS should ensure compliance with state policies, or revise policies to account for the unique needs of agencies. DAS should also make agencies regularly report on their positions in ways that are easily accessible and understandable for decision-makers.

Double-fills are one of many position management tools that provide agencies with flexibility

A double-fill implies that only two people are filled into a single position. However, we found that agencies sometimes put many more employees than two in a budgeted position. For example, the Oregon Department of Corrections double-filled 23 nurses on one position, and the Department of Human Services double-filled 24 Operation and Policy Analysts onto one position. State policy does not specify how many people may be double-filled on one position, but strongly implies that two are expected. To discern how agencies use these positions, we reviewed position data from the 17-19 biennium. This data came from the PPDB system, which was recently replaced by Workday.[18]

This data revealed nearly 1,900 double-filled positions among the 39,829.15 legislatively-approved FTE in the 2017-19 adopted budget.[19] To gain an understanding of why agencies are using double-fills and how these positions are funded, we selected ten agencies to further

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[18] The last available data was captured on January 24, 2019.
[19] Some positions are authorized for less than full-time, or 1.0 FTE.

analyze their data and conduct interviews with their financial and human resource staff. At the time, these agencies' had 1,670, or 89%, of the 1,893 double-fills in the state.

Our interviews revealed many agencies use double-fills for flexibility in addressing workload needs. Many agencies respond to temporary workload spikes by using double-fills. For example, the Oregon Department of Forestry's double-fills increase 300% during fire season, but return to normal levels in the off-season. While the seasonal nature of Forestry's work resolves most of its double-fills, the agency is currently revising its position management practices in order to be more transparent with its management of positions. At other times, agencies use double-fills on a permanent basis. For example, the Department of Corrections uses double-fills to ensure it has enough staff to manage facilities that are open 24 hours per day, seven days a week.

There may be unique circumstances where the nature of the service offered by an agency lends itself to using double-fills. The Department of Public Safety Standards and Training uses double-fills to address the unique ways they offer training to government employees by filling 20 or so legislatively-provided FTE with nearly 300 part-time instructors. This approach allows the department to scale its workforce with the needs of its public safety academy classes.

There are other considerations when analyzing double-fills, as agencies most often pay for their increased staffing in some areas by holding positions vacant in other areas. While DAS is aware of, and approves of this practice, they are not able to draw a direct line between the double-filled positions and the corresponding vacant positions.

Figure 7: There were nearly 1,900 double-fills when PPDB went offline
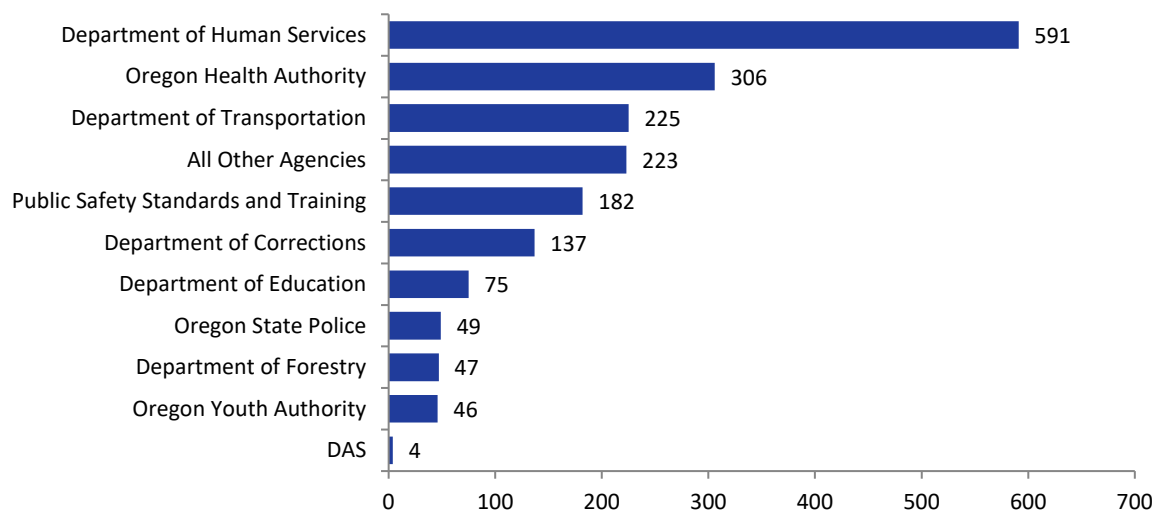
Source: Oregon Position Personnel Database (PPDB), as of January, 2019

Agencies also finance double-fills through internal reductions on services and supplies purchased, or through interagency agreements. For example, multiple agencies told us they fund positions from their services and supplies budget. The Department of Transportation and Forestry have an interagency agreement where Transportation pays for Forestry employees to help with winter road maintenance. Transportation does this because it has the budget to fund the positions, but not the authority to increase their number of employees. Forestry does this because it allows them to keep employees who would otherwise be seasonal in areas where it can be difficult to hire.

While using savings from vacant positions or reductions to fund double-fills is not inherently inappropriate, it may complicate oversight and future budget decisions. This is because it is

difficult to make clear connections between how dollars are saved and where they are ultimately reallocated.

Flexibility in managing positions can reduce transparency and effective oversight

Double-fill usage is not reported to the Legislature, nor is it made readily available to the public. Outside of the Department of Human Services, which was temporarily required to report on its double-fill practices due to its historically high use of them, legislators we interviewed told us they would like more information on how many employees in the state are in double-filled positions. Double-fills are referenced only three times in the 2017-19 Legislatively Adopted Budget, two times in the Governor's 2019-21 Recommend Budget, and not at all on the state transparency website.

Vacancies are factored into the budget formulation process. This calculation estimates the budget savings expected from turnover such as resignations, retirements, and employees transitioning to other employers. Every biennium, this calculation is modified using the turnover from the previous biennium, and adjusted on a case-by-case basis for how agencies use vacancies to fund their operations.

While double-fills provide agencies with flexibility, holding positions vacant to fund them complicates determining agency priorities and performance. Agencies must report positions held vacant for more than six months to DAS, which includes this information in budget preparation. Many of these vacancies fund double-fills for years at a time. If agencies frequently need to address workload by redeploying their positions every biennium, they should communicate those needs to DAS and the Legislature rather than resorting to long-term double-fills. This would increase transparency for the Legislature, allow agencies to reallocate resources to address higher workload areas and reduce the need for vacancies and double-fills.

In our conversations with DAS, they acknowledged that double-fills can make the budget process less transparent, but they also believe double-fills and other position management practices are good tools for agency flexibility in budget execution. However, they approach every circumstance differently. In one example provided by DAS, their evaluation of an agency's use of double-fills depended on the type of positions being double-filled. If the agency was opting to double-fill a high level manager, or administrative positions that would require the agency to hold multiple front-line positions open, DAS would look more closely at the justification for that decision.

DAS position management policies are unclear, unrealistic, and inapplicable in many circumstances

State policy implies that most double-fills, and the use of other alternative methods for filling positions, should be temporary. Policy dictates double-fills are to be used in response to temporary workload needs or to enhance succession planning efforts. In light of this state policy, and the positions approved by the Legislature, it is not unreasonable to assume there would be relatively few double-filled positions. As our work revealed, this is not the case.

While employees in double-filled positions are required to meet the minimum qualification of those positions, we found occasions where positions are double-filled with dissimilar positions. For example, the Oregon State Police double-filled a Fingerprint Technician position with an Office Specialist, and the Oregon Health Authority doubled-filled one position with many unrelated job classifications such as: administrative staff, laborers, custodians, nurses, and a hairdresser. It is unlikely that the individuals filling these roles have the same qualifications. One agency told us that in these cases, they try to double-fill positions that have similar salary ranges or identical codes that indicate union representation, as these concerns facilitate management of the positions within personnel systems.

Regardless of the reasons for double-fills, the state policy is consistently violated and agency practices are not transparent. Many agency double-fills are not temporary. Department of Public Safety Standards and Training's approach of using FTE to employ hundreds of temporary employees is transparent, as the agency has disclosed its approach to the Legislature during budget hearings. Nevertheless, this approach violates DAS policy. The Department of Human Service's history of double-fill use is known to the Legislature, but an average of almost 450 double-fills over the last two years is not consistent with a policy that double-fills are generally meant to be temporary.

DAS has an opportunity to leverage the new state personnel system to promote transparency in position management

Information about double-fills has always been available, but not always used. Agencies used the old PPDB system to record personnel information for employees. This included a code indicating if a position was a double-fill. Generally, if an agency hired an employee on top of another position, PPDB required that agency to use one of eight codes, which indicate reasons why a position was being double-filled.[20] We found that agencies' use of these codes was in violation of DAS guidance, and did not provide an accurate description of how double-fills were used.

In February 2019, DAS launched Workday. Workday is designed to manage many personnel functions, one of which replaces the function of PPDB. We spoke with DAS staff to learn about the impact Workday would have on double-fills. While staff indicated the changes in Workday would make it harder for agencies to use double-fills and make these positions easier to identify, we found that not to be the case.

The term "double-fill" was replaced in Workday and in policy with "non-budgeted position." However, double-fills are not the only non-budgeted positions. The term also applies to certain situations, such as employees who are performing work out of class, positions pending reclassification, and job rotations. DAS also told us that agencies would need to include information regarding the reason for double-fills, when the double-fills were to be resolved, and funding information. One legislator we spoke with believed either that double-fills were being eliminated, or that it would be obvious what positions were double-fills.

Another challenge of Workday has to do with removing double-fills. According to DAS, when an employee was removed from a double-filled position in PPDB, that position was automatically eliminated in the database. In Workday, if agencies do not manually close positions, the system will not eliminate the position. These vacant non-budgeted positions would artificially inflate agency employee counts.

To assess the transparency of the information in Workday, we reviewed position data for the Department of Human Services. We found the data does not clearly distinguish what positions are actually double-fills or how agencies are paying for the double-fill. There is some information for the hire reason and date the agency plans to resolve the double-fill; however, this information is generally only provided for temporary and limited duration positions. Determining which positions are actual double-fills requires an understanding of the data, and how to manipulate it to find these positions.

Double-fill data in Workday is not transparent. It does not allow someone who is unfamiliar with Workday to identify key pieces of information about double-fills. DAS can improve the quality of data by ensuring agencies fill out fields to clearly denote if a position is double-filled, why a position is double-filled, how agencies are funding these positions, and when they will be

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[20] The reasons included: Base position, Pending Position Information Control System Update, Job Share, Leave, Directed by the Budget and Management unit, Shall not exceed 1 FTE, Succession/Transition, Exempt from ORS 240.

eliminated. DAS has said they plan to develop reports for these positions after Workday is fully implemented.

Interpretation of state law is preventing DAS from developing a transparency website that offers value to citizens and decision-makers

In recent years, state governments have created transparency websites to publish information on revenues, expenditures, payroll, pension costs, and a variety of other government data. Oregon was among the first states to develop such a website, and at one point was a leader in proactively disclosing public records online. However, Oregon's website has not kept pace with available technology, user expectations, and leading practices other states employ. As a result, the website currently has clear shortcomings related to data, functionality, usability, and completeness. Key stakeholders, including one of the chief sponsors of the original legislation, rarely use the website because of these shortcomings.

The primary cause of these issues is a provision in state law that prevents the allocation of additional resources to the transparency website. DAS has stated publically on numerous occasions this provision limits their ability to improve the website. Despite this limitation, we found that there are opportunities for Oregon to enhance transparency with a relatively modest investment of resources.

> **Oregon transparency website**
> "I can't imagine my mother being able to use this [website]."
> *- 2018 USPIRG Report*

Oregon is no longer a leader in online transparency

Oregon was initially praised for the development of its transparency website, receiving high scores from the most prominent advocacy organization on the topic, the United States Public Interest Research Group, or USPIRG. In 2010, USPIRG began publishing a report card grading states' efforts in online transparency. In 2011, the report named Oregon as a "leading state," and highlighted the data visualization tools available on the website. Over the next several years, legislators and the transparency advisory commission proposed new laws that expanded online reporting on state contracts, economic development subsidies, education service district reports, and higher education budgets. These additions directly increased Oregon's score. As a result, Oregon received an A+ rating in 2016.

Oregon received these high rankings by meeting the technical requirements of USPIRG's ratings criteria, but the rankings did not paint an accurate picture of the usefulness and functionality of the website for citizens. For years, DAS staff, commission members, and members of the public have testified in meetings and before the Legislature that the website was difficult to navigate, highly technical, and not intuitive. One commission member noted that a person would "almost need a Ph.D. in research" in order to draw conclusions from the website.

> **Government transparency**
> "We might hope to see the finances of the Union as clear and intelligible as a merchant's books… so that every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently control them."
> *- Thomas Jefferson*

Eventually, USPIRG echoed these perspectives. In 2018[21], they updated their scoring criteria by adding a "real-world" test, where researchers were asked to find key pieces of government data on transparency websites. Oregon scored poorly on this test. The state grade dropped to a B-, ranking 16th among the states. As one member of the real-world test group put it, "I can't imagine my mother being able to use this [website]."

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[21] USPIRG did not issue a report in 2017.

Oregon stands to lose more ground in the near future, as USPIRG representatives told us the real-world testing elements will become more prominent in their analysis.

The state transparency website is substantively flawed and does not fulfill its purpose

A transparency website appears to be a viable strategy for engaging citizens and promoting accountability. The practice has been promoted by advocacy groups and academic studies suggest such websites offer benefits for citizens, governments, and markets. This approach has the added benefit of reducing the staff resources needed for governments to respond to record requests from the public, as the information they seek is already available and easy to find. All of these benefits were part of the rationale and legislative intent for passing transparency website legislation in Oregon.

The law includes both specific pieces of information that should be published online as well as general principles that should guide the design of the website and presentation of its information. DAS largely complies with the specific stipulations in the law, including pages for such information as annual revenues and expenditures, tax credit information, public meeting notices, state contracts, instructions for making public records requests, and agency payroll information.

However, some data and information noted in the law is not currently published online, such as:

- Reports and links for some quasi-public agencies and education service districts;

- Specific data points, such as the percentage of state government procurement from vendors in and out of Oregon; and

- Performance data related to the number of individuals served by agencies and programs.

It is not possible to determine if these omission are inappropriate, however, as the law allows DAS and other agencies to forgo posting of information listed in the law if the data is not available or only available with a cost. To clarify this ambiguity, the law directs the transparency advisory commission to report all information mentioned in the law that is currently unavailable, but the biennial report has never included this information.

Statutory principles of the Oregon transparency website
The website should be:
- Available without cost;
- Easy to use;
- Presented using easily understandable language; and
- Teach users how state and local governments operate.

The law also describes principles that should guide the design and management of the website. According to these principles, the website should be available without cost, easy to use, presented using easily understandable language, and successfully teach users how state and local governments operate, raise revenue, and spend tax dollars. Shortcomings of the transparency website in these areas have been noted by stakeholders in the past, perspectives we confirmed during the course of this audit.

As early as 2013, commission members discussed how they would like the website to become more agile, modern, intuitive, and focused on the needs of the user.

Representatives from DAS and the OSCIO acknowledged these shortcomings in multiple commission meetings, saying data on the website is not always timely, complete, easily available, or visible. Members of the public have also provided testimony to the Commission, and legislative committees that there are large amounts of data available to view, but the technological limitations of the website make performing analysis or developing understanding of the data sets very challenging.

The Legislative Fiscal Office compiles the commission's biennial report to the Legislature. Some of the proposed website enhancements in the 2011 report included reviewing funding issues with the Legislature, conducting a survey of the public, providing the ability for easy public feedback, improving searchability of data fields, providing more information on tax expenditures, and providing the ability to "drill down" on contract details. Six years later, all of these potential future enhancements were still offered in the 2017 report. Furthermore, a report has not been released for 2019, despite the requirement in statute to publish the report before January 15 of any odd-numbered year. While the commission has experienced periods where members are more engaged, it has also endured long periods without meeting, or taking any action. The commission did not meet during the 2019 legislative session.

Staff members at agencies who are responsible for providing information to post on the transparency website reported that they did not experience any challenges. These contacts felt DAS and the OSCIO provided good service in managing and posting agency data and felt the process of providing information for upload was easy and efficient.

During the course of the audit, we interviewed a number of stakeholders who could benefit from a functional transparency website, such as legislators, legislative staff, agency staff, and representatives from non-profit and advocacy groups. Of those we asked, none of the individuals we interviewed use the transparency website often, and some avoided using it due to their perception that it was not helpful. Some Commission members told us that they do not use the website to benefit their work for the state.

Website metrics suggest there is a growing public demand for government information online, but the current iteration of the website does not facilitate access to that information. The website has generally seen an increase in monthly users and sessions over time, with nearly 4,000 page views in December 2018, but other metrics show these visitors are likely not finding what they are looking for. In both 2017 and 2018, visitors to the Oregon transparency website spent an average of 40 seconds on the site. Even more concerning is the "bounce rate" of the website (81-82%) which describes the percentage of visitors who leave the site before navigating to a second page.

Website bounce rate
The "bounce rate" of a website is the percentage of visitors who leave the site before navigating to a second page. The Oregon Transparency Website bounce rate has increased from 65% in 2014 to 82% in 2018.

Figure 8: Transparency website metrics show users spend very little time on the site

| Year	Sessions	Users	Average Session Duration	Bounce Rate
2014	33,452	14,591	0:01:31	65%
2015	45,865	18,141	0:00:56	76%
2016	59,900	23,739	0:00:48	79%
2017	64,566	43,401	0:00:40	82%
2018	69,368	37,992	0:00:37	82%

These statistics do not compare favorably to metrics for state-run websites in general, and agency-specific pages. In 2015, new visitors to all state pages averaged a session duration of two minutes and 33 seconds and a bounce rate of 46%. Returning visitors averaged nearly four minutes and 31%. The Oregon Tourism Commission reported that in 2017 and 2018 its average

session duration was over two minutes, and the bounce rates for these years were 59% and 38%, respectively.

Beyond the general condition of the website as not intuitive or user-friendly, we found a number of additional shortcomings.

Expenditure data for state agencies includes very little information. Fields such as agency, an abbreviated description of the type of spending, some vendor information, and the expense amount are included, but other key fields such as dates, funding sources, and budget categories are not. While some of the expenditure titles give a relatively clear idea of the purpose of the spending, such as "Fuels and Utilities," "Instate Lodging," or "Medical Supplies," others are less clear. Among the expenditures for education service districts, comptroller object descriptions included confusing abbreviations or numbers in place of a text description. While Oregon's approach has been considered "checkbook level" in alignment with best practices by some, we found that the information available fell short of this benchmark.

Figure 9: Transparency website visualization tools are difficult to use
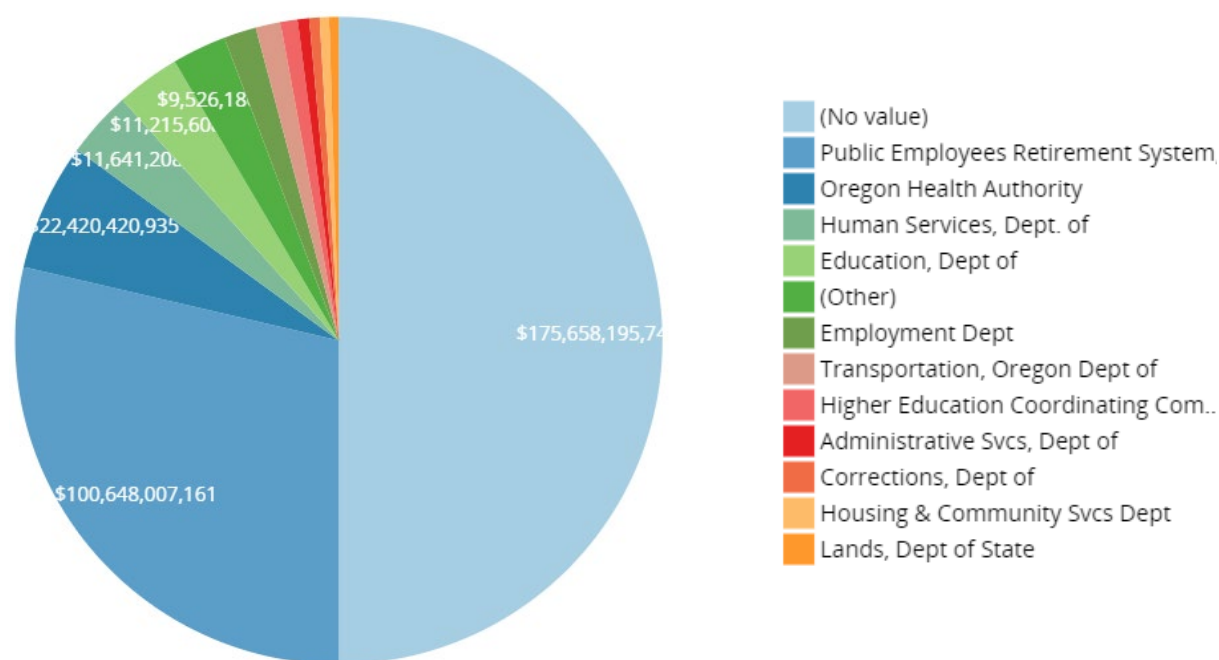
Source: Oregon Transparency Website

Additional information on expenditures is already available within current state systems and could be provided with little effort. The Secretary of State publishes information on agency expenditures that pulls from the same state accounting system, but provides more substantial information. All expenditures have payment dates, budget categories and sub-categories, invoice descriptions, vendor names and cities, the individual document number for the payment, the division of the organization that made the expenditure, and whether or not the record was a budget adjustment.

Subtotaling and other data analysis is not an option for users of the transparency website unless they download large data sets into software systems with those capabilities. The average user may not have access to such software, or have the technical skills necessary to complete this work.

Visualizations can be custom-built by users. However, this function of the website is difficult to navigate and may require manipulation to produce valuable results. For example, in

visualizations for total biennial revenues, the subtotal for the data is included as its own field as a default. As a result, the graph double-counts all revenues, which could lead a citizen to believe that the state raised double its actual revenue through taxes and other sources. The grand total appears as "(No value)" in Figure 9. While it is possible to filter out these values to produce a visualization that more accurately portrays state revenues, this requires action on the part of the user, who is unlikely to have this expertise in navigating the system.
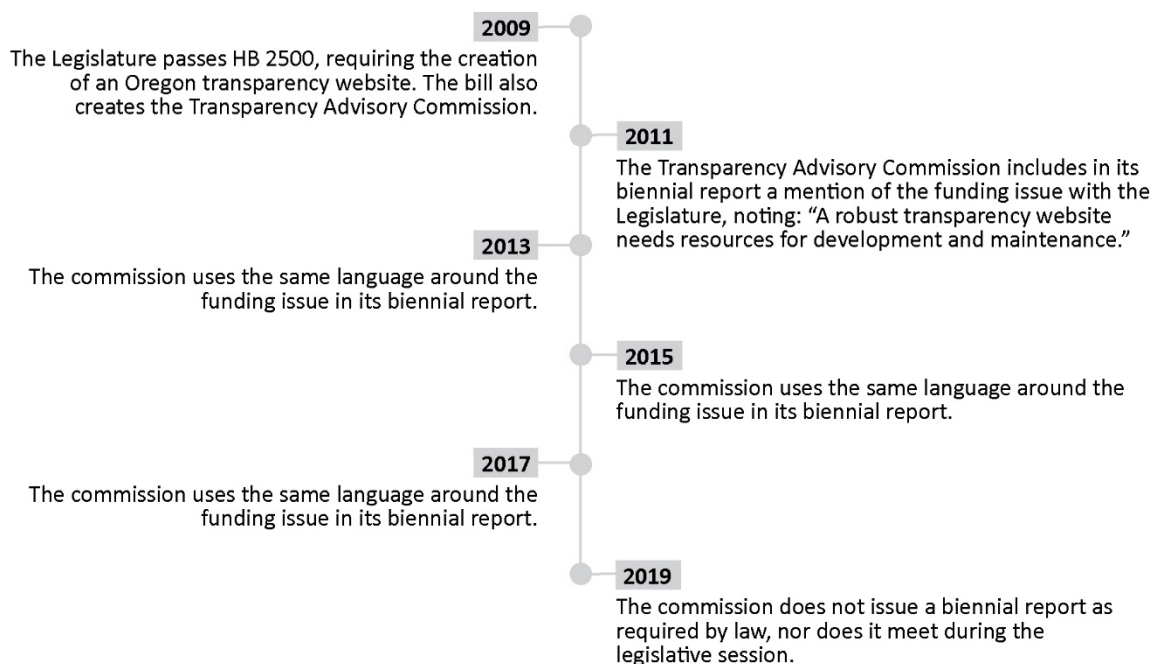
A disclaimer is published on the transparency website home page that describes the limitations of the information on the site. While this is a reasonable practice to account for limitations such as imperfections in state systems and the removal of confidential personal information, we found the disclaimer on Oregon's website was the most restrictive of any state transparency site that we reviewed. The disclaimer not only lists information that is "confidential" and "protected under state and federal laws," but goes further to list "private" information. A definition of what constitutes "private" information is not provided.

Website limitations are rooted in the in the law

At the time the transparency website was created in 2009, Oregon was in the midst of an economic recession. Increasing the transparency of state spending via the website was seen as one strategy to contain costs and find efficiencies.

Due to budget constraints, however, the law was passed with the stipulation that any information furnished to the website be available without additional cost, using existing data and resources, and without the reallocation of resources. Given these constraints, it is commendable that DAS and other agencies were able to build a website that was initially seen as a model for other governments to follow.

Figure 10: Transparency website cost constraints have not been addressed in a decade

2009
The Legislature passes HB 2500, requiring the creation of an Oregon transparency website. The bill also creates the Transparency Advisory Commission.

2011
The Transparency Advisory Commission includes in its biennial report a mention of the funding issue with the Legislature, noting: "A robust transparency website needs resources for development and maintenance."

2013
The commission uses the same language around the funding issue in its biennial report.

2015
The commission uses the same language around the funding issue in its biennial report.

2017
The commission uses the same language around the funding issue in its biennial report.

2019
The commission does not issue a biennial report as required by law, nor does it meet during the legislative session.

This resource limitation was always intended to be temporary. In the first legislative hearing of the bill to create the transparency website, and in many that followed, bill co-sponsors stated their intention to revisit this element of the law once economic conditions improved. Commission members discussed the resource limitation in meetings held as early as 2012, and

biennial reports in 2011, 2013, 2015, and 2017 note the issue should be considered by the Legislature.

Of the states that we reviewed,[22] Oregon is the only state to limit in statute the resources that could be applied to a transparency website. DAS and the OSCIO have consistently presented the resource limitation as the transparency website's "guiding principle and core constraint." The Legislature has passed additional laws that have added more required information for inclusion on the transparency website, but the resource limitation has never been addressed. DAS has testified that they are operating at full capacity given the resource limitation. The website requires significant manual work in gathering, posting, and updating content, which does not allow the staff person the capacity to address the website's underlying usability and functionality issues.

DAS and the Commission have developed vision statements and goals that illustrate an ambitious future for the website. Specifically, these documents state the website will enhance Oregonians' participation in government, increase the visibility of government accomplishments, make sweeping improvements to how public records are handled on a statewide level, and scale these benefits statewide by hosting information for city and county governments.

Proposed action steps include performing outreach to government agencies and the public, developing innovative features and "transparency-enabling technology," and improving reporting efficiency. DAS has already testified that the current resources dedicated to the website are operating at full capacity, and changes made over time to the website have been largely cosmetic. These changes have not addressed their core challenges. The ambitious goals and vision for the transparency website set by DAS and the commission are admirable, but they are not achievable with these constraints in place.

Best practices and other states offer models for Oregon to emulate

The operation of transparency-focused government websites has become a niche interest area that has received significant attention in recent years. USPIRG has been influential in promoting best practices for state transparency websites including information that:

- provides expenditures at a checkbook level;
- allows for the subtotaling of financial information;
- is searchable and downloadable;
- is accessible by mobile devices;
- includes quasi-public and semi-independent agencies; and
- is usable and intuitive.

In recent years, multiple laws and policies at the federal level have provided guidance and minimum requirements to federal agencies regarding the accessibility of agency websites, and best practices for design, content, and language. These policies indicate that content published online should reflect the needs of the organization and the public, anticipate how users communicate and access information, stay up-to-date, and be accessible, consistent, and navigable. Common pitfalls for posting government information online include unrealistic project goals, inaccurate estimates of needed resources, badly defined system requirements, poor communication, and immature technology.

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[22] These states included Arizona, Connecticut, Iowa, Kentucky, Louisiana, Minnesota, Ohio, South Carolina, South Dakota, Washington, West Virginia, and Wisconsin.

While we found that Oregon's transparency website generally includes pages that are common to state websites, it lacks the functionality and detailed information provided by states considered leaders in this area. Oregon's site is the most text-heavy of any of the sites we evaluated and was among the sites that are not friendly to mobile-access. Model states allow for easy year-to-year and agency-to-agency comparisons, automatic click-through queries, advanced search functions, detailed check-book level data, up-to-date information that nears real-time, and hosting information for multiple levels of government in one location.

Source: West Virginia Checkbook Website

In West Virginia, the state auditor made a campaign promise to upgrade the state transparency website. Following a competitive procurement process, the state contracted with OpenGov, a company specializing in offering government information online, to produce a website that is now ranked among the best in the nation.[23]

West Virginia updates its site daily, allows users to perform click-through filters and advanced searches, automatically updates visuals, and includes considerable data regarding every state expenditure. The site also allows for easy comparisons between budget years, and following up for further information by including a button that allows direct questions to the appropriate staff.

Agency staff in West Virginia told auditors the state has experienced broad support for the website, including among legislators and members of the public. There have also been savings in responding to freedom of information requests, performing audits, and fewer purchases in discretionary expenditure areas. OpenGov was also able to incorporate antiquated budget and financial systems into the transparency website application, a challenge that Oregon would also likely face.

In Ohio, staff in the state treasurer's office built a transparency website driven by what they believed would be appreciated by the public, such as advanced searchability, interactive graphs, popular searches, mobile access, agency and yearly comparisons, and automatic subtotaling. Staff told auditors the website is used extensively in the state. Ohio was also able to contract with OpenGov to bring roughly 1,000 local governments onto their website.[24]

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[23] West Virginia's website can be accessed here: http://www.transparencywv.org/
[24] The Ohio website can be accessed here: http://ohiotreasurer.gov/transparency/ohios-online-checkbook

Figure 11: The Ohio transparency website includes innovative features and visualizations

$24,336,247.66 of $24,501,412.32 total
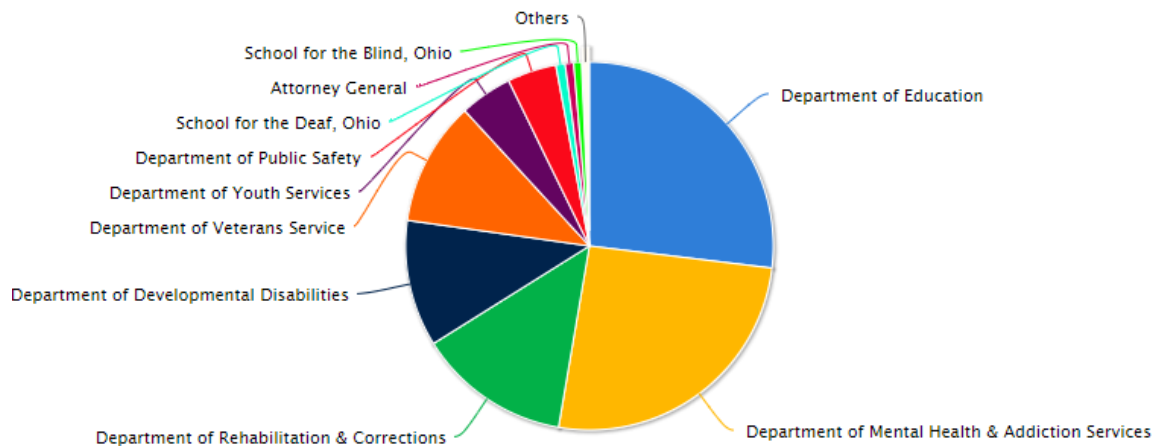
Source: Ohio Checkbook Website

By expanding the website to include local governments, Ohio was also able to share the cost of its ongoing management. Local governments pay roughly $3,000 a year to participate, an amount that is worthwhile given the savings provided in staffing resources. Similar to West Virginia, the Ohio Treasury has prioritized the transparency website, and dedicated resources to its development and ongoing improvement. Ohio's transparency website was identified as a model for Oregon in Transparency Oregon Advisory Commission meetings as early as 2015.

The South Dakota website possesses many of the same functions used by West Virginia and Ohio.[25] The vendor that powers South Dakota's website, Socrata, is the same vendor providing data hosting services for Oregon's transparency website. South Dakota uses a different program than Oregon. This program does not require much effort to maintain, and is updated bi-weekly. In addition, this program appears to be cheaper, as South Dakota pays roughly one-third the price Oregon currently pays for its software.[26]

These and other states have experienced benefits and savings as a result of designing exemplary transparency websites. USPIRG notes that these states experience more efficient government administration, more competitive bidding for public projects, and less staff time spent on fulfilling information requests. The state of Mississippi reported that every FOIA request made through their transparency website saved the state $750-$1,000 in staff time, while South Carolina had records requests drop by two-thirds. Most notably, the Texas Comptroller claimed to have saved more than $163 million through contract monitoring and identification of cost-cutting opportunities using its transparency website.

An improved transparency website could address issues highlighted in this report

Throughout this report, we identified a number of concerns related to the transparency of spending by Oregon state government. DAS and the public would benefit from an enhanced transparency website as it relates to end of biennium spending and double-filled positions.

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[25] The South Dakota website can be accessed here: https://open.sd.gov/
[26] Oregon paid Socrata $52,464.89 for one year of its website software covering August 1, 2018, to July 31, 2019; Oregon's contract includes a 5% increase every year of the contract that expires in 2021. South Dakota paid Socrata $18,900 for one year of its website as of August 31, 2018. This was an increase of 5% from the previous year.

If the website were upgraded, leaders in the state or members of the public could easily analyze increased spending at the end of the biennium in order to offer more informed oversight. With this improved oversight, Oregonians can be more confident that their tax dollars are being used appropriately and to their maximum benefit.

As funding employee positions is a significant cost-driver for agencies and the state as a whole, management of positions is a key element of allocating and controlling costs in state government. Analysis and reporting on position management practices, such as double-fills, would be an appropriate data set to include on an improved transparency website. The increased visibility of this issue would assist DAS in monitoring the use of double-fills, and provide the Legislature the information it needs to make informed decisions on personnel and budget needs within agencies.

Recommendations

To enhance the transparency of and better control end of biennium expenditures in Oregon, DAS should:

1. Work with stakeholders including the Legislature and LFO to review and enact policies to mitigate or eliminate end of biennium spending risk, such as the Order of Expenditure Rule, 80/20 Rule, and Targeted Carry-over.

2. Review and evaluate end of biennium-spending patterns to identify potentially risky spending by agencies.

3. Ensure agencies abide by Oregon Accounting Manual rules that prohibit spending current biennium revenues for future biennium needs, and document agency actions to comply with those rules.

4. Monitor and document agencies' use of expedited procurement processes at the end of the biennium.

To enhance the transparency of double-fills and ensure state agencies adhere to position management policies in Oregon, DAS should:

5. Update its policy to account for situations where agency use of double-fills is necessary to ensure the continuity of operations.

6. Include fields in Workday that identify double-fill positions, and include necessary information to oversee use of double-fills, such as why a position is double-filled, how agencies are funding that double-fill, and when the agency will resolve the double-fill.

7. Regularly monitor agency use of double-fill positions to ensure appropriate use and compliance with policy.

8. Develop Workday reports that allow a user to easily identify how many double-fills an agency is using.

9. Post double-fill reports for all agencies on its transparency website.

To enhance the transparency of state government through online disclosure of government information, DAS and the OSCIO should:

10. Request that the Legislature remove the statutory resource limitation for management of the state transparency website.

11. Identify and implement functionality improvements to the transparency website to make the site more usable and intuitive for end-users.

12. Perform and document a cost/benefit analysis for redesign of the transparency website, including options for implementation of new software.

13. Enhance current data posted on the transparency website by correcting issues identified in this report, such as adding additional fields to expenditure data, clarifying descriptive fields currently in use, and improving the visualization application.

14. Revise language in the transparency website disclaimer to include a definition of what constitutes "private information" that is separate from information removed due to concerns of confidentiality and compliance with state and federal privacy laws.

15. Work with the Legislative Fiscal Office and the Transparency Oregon Advisory Commission to encourage consistent meetings, and releases of the biennial report that are in accordance with statutory requirements for timing and content.

16. Analyze opportunities for expansion of the transparency website to include city, county, and other local governments.

Objective, Scope, and Methodology

Objective

The objective of the audit was to determine how DAS can improve governance and inform decision-making through transparency of state spending.

Scope

The audit focused on agency practices and DAS oversight of three elements of transparency in state spending: agency spending at the end of the biennial budget cycle, alternative position management practices — specifically, double-fills — and the Oregon Transparency Website. We selected a group of agencies for analysis of end-of-biennium spending and position management practices. These agencies represented a majority of state spending and double-filled positions in the state, respectively, and represented a range of functions and funding compositions.

Methodology

To address our objective, we used a methodology that included, but was not limited to: conducting interviews, reviewing documentation, and examining position management and expenditure data.

To learn about the views, opinions, and perspectives of major stakeholders, we conducted interviews with leadership and staff in the DAS Chief Financial Office, the DAS CHRO, the OSCIO, legislators, the Legislative Fiscal Office, the Oregon Public Records Advocate, members of the Transparency Oregon Advisory Commission, and relevant public interest advocates.

To gain an understanding of internal controls for position management, the transparency website, and budget management, we reviewed relevant state laws, policies, guidelines, and system information.

For end-of-biennium spending, we interviewed staff and examined expenditure data of ten state agencies:

- Department of Administrative Services;
- Department of Corrections;
- Department of Transportation;
- Department of Human Services;
- Department of Education;
- Employment Department;
- Oregon Housing and Community Services Department;
- Oregon Health Authority;
- Construction Contractors Board; and
- the Public Defense Services Commission.

We chose these agencies because they make up more than 50% of the budget and represent a spectrum of sizes, mission scopes, and funding sources.

To examine position management practices, we interviewed staff and examined the Position and Personnel Data Base (PPDB) data for ten state agencies:

- Department of Administrative Services;
- Department of Human Services;
- Department of Corrections;

- Department of Public Safety Standards and Training;
- Department of Education;
- Department of Forestry;
- Department of Transportation;
- Oregon Health Authority;
- Oregon State Police; and
- the Oregon Youth Authority.

We selected these ten agencies because they have the majority of double-fills in the state based on preliminary testing. We also reviewed data from Workday.

To gain an understanding of the practices at the federal level and in other states, we interviewed state officials and reviewed supporting documentation from GAO and states such as Arizona, Connecticut, Iowa, Kentucky, Louisiana, Minnesota, Ohio, South Carolina, South Dakota, Washington, West Virginia, and Wisconsin. We selected these states because they were identified as leaders by transparency advocacy groups such as the United States Public Interest Research Group.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DAS and other participating agencies listed above during the course of this audit.

Oregon
Kate Brown, Governor

Department of Administrative Services
Office of the Chief Operating Officer
155 Cottage Street NE
Salem, OR 97301
PHONE: 503-378-3104
FAX: 503-373-7643

July 25, 2019

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott,

This letter serves as the agency's official response to the Audits Division's final draft audit report titled **"Enhanced Transparency in Key Budget Practices Would Improve Government and Inform Decision-Making for State Spending."**

Thank you for providing the Department of Administrative Services (DAS) the audit report. We appreciate the work and collaborative approach of the Audits Division staff. The report highlighted potential risks in each of the three areas reviewed. We look forward to working on our responses to the recommendations to enhance our commitment to improvement.

Spending

As you know, the Oregon Legislature approves the state's budget, setting a not-to-exceed amount for state agencies by an appropriation structure outlined in each agency's budget bill. The state's fiscal governance model gives agency heads, or their delegates, the authority to make expenditure decisions for their agencies. It is DAS' role to set the financial policy for the state, which requires that agency heads, or their delegates, ensure agency expenditures are for authorized purposes and are an appropriate, responsible use of state funds.

We acknowledge there is research that outlines the potential for increased risk when organizations rush procurements or engage in heightened spending at the end of a fiscal period. In the course of this audit's spending trend analysis, the Secretary of State found there were instances of increased spending in certain Services and Supplies accounts at the end of the biennium. After receiving the specific agency instances from the Audits Division team, the DAS Chief Financial Office reviewed and was pleased to find that these end-of-biennium spending instances were appropriate. For example, one agency moved to a new office space during the last quarter of a biennium and purchased needed supplies and equipment for the new space.

Also, DAS received legislative approval during the 2019 session to replace outdated procurement systems with a single end-to-end eProcurement system with a modern procure-to-pay solution, called OregonBuys. This application will aggregate significantly more information on state agency spending patterns than what we have access to today with current systems. Upon implementation, DAS will review and evaluate spending patterns for a variety of business reasons, including the end-of-biennium risks identified in this audit, as well as optimize the state's purchasing power and improve agency spending patterns.

Full system implementation is expected in fall 2021, with the first biennial spending review fall 2023.

Position Management

During the fieldwork for this audit and after completion, DAS implemented a new Human Resources Information System (Workday). As part of this new system, positions are reflected as non-budgeted if they are created to meet unanticipated business needs. DAS is in the process of developing reports that will reflect the reasons for the non-budgeted position. The availability of new data and the agile use of technology will assist in identifying potential areas for additional evaluation by state agencies. Agencies have been working to reduce their number of "double fills" and strengthening their position management practices as part of this implementation effort.

Transparency

The state has continued to make a significant investment in statewide transparency and is expanding its work to include managing data as a strategic asset. Passage of House Bill 3361 (2017) and the hiring of the state's first Chief Data Officer to provide leadership and best practices in the areas of transparency, open data, and data governance, underscore how strongly the state values growth in this area. With this comes the opportunity to re-assess and review how the Oregon Transparency Program meets the needs of its user base. A website revision has been underway since early 2019, with new functionality and a new interface forthcoming. Additionally, creation of a statewide data strategy will provide the Transparency Program an opportunity to more closely align with the state's goals.

Below is our detailed response to each recommendation in the audit.

RECOMMENDATION 1		
Work with stakeholders including the Legislature and LFO to review and enact policies to mitigate or eliminate end-of-biennium spending risk, such as the Order of Expenditure Rule, 80/20 Rule, and Targeted Carry-over.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Partially Agree	July 1, 2020	George Naughton 503-378-5460

Narrative for Recommendation 1
DAS agrees with the first part of the recommendation, and will work with the Legislature, Legislative Fiscal Office and other stakeholders to review the policies outlined in the recommendation around the end of biennium spending. However, DAS needs to complete the review with stakeholders prior to enacting any policies; therefore DAS cannot agree with the second part of the recommendation of enacting policies until this review is complete and understands how these policies align with the Oregon Accounting Manual.

RECOMMENDATION 2 Review and evaluate end-of-biennium spending patterns to identify potentially risky spending by agencies.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	June 1, 2020	George Naughton 503-378-5460

Narrative for Recommendation 2
As part of the development for the next biennial budget, DAS reviews and evaluates agency end-of-biennium spending patterns from the previous full biennium on an agency-by-agency basis, depending on the agency's budget situation. DAS agrees to review each agency's end-of-biennium spending patterns for the next biennium's budget development.

RECOMMENDATION 3 Ensure agencies abide by Oregon Accounting Manual rules that prohibit spending current biennium revenues for future biennium needs, and document agency actions to comply with those rules.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	June 1, 2020	George Naughton 503-378-5460

Narrative for Recommendation 3
DAS will work with agencies on documenting agency actions to comply with the Oregon Accounting Manual 20.30.108, which states "Surplus funds should not be expended for the anticipated needs of the next biennium...," recognizing the Manual also requires agency heads, or their delegates, to ensure the expenditure is appropriate and recognized in the appropriate fiscal period.

RECOMMENDATION 4		
Monitor and document agencies' use of expedited procurement processes at the end of the biennium.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	December 1, 2023	Brian DeForest 503-378-5526

Narrative for Recommendation 4
DAS received legislative approval to replace the current eProcurement system with a modern procure-to-pay solution called OregonBuys. Two pilot agencies began using the application in 2019 and are just now beginning to accrue purchasing data that can be analyzed and reported.

The enterprise procurement system will be implemented in two phases; replace the current bid and contract repository (fiscal year 2020); and, implement an end-to-end procurement-to-payment system (fiscal year 2021). During the phased implementation, DAS will monitor agency use of expedited procurement methods to reduce the risks identified in this audit, optimize the state's purchasing power, and improve agency spending patterns.

DAS will be monitoring, reviewing and periodically reporting procurement information during the implementation phase of the project. As a matter of practice, DAS will continue to develop and recommend best practices to agencies given the enhanced capabilities of the new system. Full system implementation is expected to be completed during the Fall 2021, with the first full biennial spend review occurring Fall 2023. This application will aggregate significantly more information on agency procurement activity than what we have access to today.

RECOMMENDATION 5		
Update HR policy to account for situations where agency use of double-fills is necessary to ensure the continuity of operations.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	January 1, 2020	Madilyn Zike 503-378-3020

Narrative for Recommendation 5
DAS will explore areas where policies could be modified to incorporate additional flexibility related to non-budgeted positions. Specifically, DAS will discuss the business needs of DPSST to evaluate the applicability of our policy.

RECOMMENDATION 6		
Include fields in Workday that identify double-fill positions, and include necessary information to oversee use of double-fills, such as why a position is double-filled, how agencies are funding that double-fill, and when the agency will resolve the double-fill.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Partially agree	March 1, 2020	Madilyn Zike 503-378-3020

Narrative for Recommendation 6
Workday reflects positions that are "non-budgeted," but does not include a specific field to identify which of those non-budgeted positions are double fills. DAS is unable to add fields in Workday. However, the system does contain comment fields where users can enter narrative information about why a position is non-budgeted and the position's representation code. Therefore, DAS will develop reports that include these comment fields.

RECOMMENDATION 7		
Regularly monitor agency use of double-fill positions to ensure appropriate use and compliance with policy.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	April 15, 2020	Madilyn Zike 503-378-3020

Narrative for Recommendation 7
DAS will review Workday reports and request that agencies evaluate the non-budgeted position information for appropriate use and compliance.

RECOMMENDATION 8		
Develop Workday reports that allow a user to easily identify how many double-fills an agency is using.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	February 1, 2020	Madilyn Zike 503-378-3020

Narrative for Recommendation 8
DAS will develop Workday reports that will include information regarding non-budgeted positions. Users will have the ability to identify which non-budgeted positions are "double fills" based on information agencies enter into narrative fields.

RECOMMENDATION 9		
Post double-fill reports for all agencies on its transparency website.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	April 15, 2020	Madilyn Zike 503-378-3020

Narrative for Recommendation 9
DAS will explore the posting of non-budgeted positions on the transparency website and identify those that have the reason of "double-fill" in the narrative.

RECOMMENDATION 10		
Request that the Legislature remove the statutory resource limitation for management of the state transparency website.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Neither Agree nor Disagree	March 2020	Kathryn Helms 503-378-2105

Narrative for Recommendation 10

DAS will review the existing statute to see if it aligns with the current Oregon Transparency Program's identified goals and vision and how it best incorporates into the Chief Data Officer's forthcoming Enterprise Data and Information Strategy. This review is expected to be completed in March 2020 as part of an overall assessment of the Transparency Program.

RECOMMENDATION 11		
Identify and implement functionality improvements to the transparency website to make the site more usable and intuitive for end-users.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	June 2022	Kathryn Helms 503-378-2105

Narrative for Recommendation 11

The state currently contracts with NICUSA in providing both the hosting and website platform for the Oregon Transparency Website, which is built upon SharePoint 2010 as its content management system. NICUSA and the Oregon Transparency Program are currently collaborating on a website redesign and migration of the current SharePoint 2010 website to SharePoint 2016, which will contain some additional functionality and aesthetic capabilities. The migration is scheduled to be complete in October 2020, with DAS exploring new functionality and identifying improvements to the Transparency Website by June 2022.

RECOMMENDATION 12 Perform and document a cost/benefit analysis for redesign of the transparency website, including options for implementation of new software.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	June 2020	Kathryn Helms 503-378-2105

Narrative for Recommendation 12

DAS will perform a full program assessment of the Transparency Program, including reviewing current staff and technology costs; obtaining quotes and estimated total cost of ownership for new software; comparing across other identified leaders in state transparency; and providing estimates and recommendations for improvement and implementation. These recommendations will be provided in June 2020.

RECOMMENDATION 13 Enhance current data posted on the transparency website by correcting issues identified in this report, such as adding additional fields to expenditure data, clarifying descriptive fields currently in use, and improving the visualization application.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	January 2023	Kathryn Helms 503-378-2105

Narrative for Recommendation 13

The Chief Data Officer is in the process of establishing centralized standards around the publication and documentation of open data within the state. These include an Open Data

Standard and Technical Standards manual as required by ORS 276A.365 and ORS 276A.359, which will be published in 2021.

To comply with the forthcoming open data standard, the Transparency Program will review the data elements currently published on the website and make adjustments as required. These modifications are expected to be completed in January 2023.

RECOMMENDATION 14		
Revise language in the transparency website disclaimer to include a definition of what constitutes "private information" that is separate from information removed due to concerns of confidentiality and compliance with state and federal privacy laws.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Agree	March 2020	Kathryn Helms 503-378-2105

Narrative for Recommendation 14
Definitions of "private information" are diverse across the many content providers who contribute to the Oregon Transparency Website. The Transparency Program will review the current disclaimer language and where possible, identify applicable definitions of private information, provided they do not compromise the integrity or security of the State's data and information assets. The review of current disclaimer language will be completed in March 2020.

RECOMMENDATION 15		
Work with the Legislative Fiscal Office and the Transparency Oregon Advisory Commission to encourage consistent meetings and releases of the biennial report that are in accordance with statutory requirements for timing and content.		
Agree or Disagree with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of contact for implementation**
Neither agree nor disagree	N/A	N/A

Narrative for Recommendation 15
DAS is unable to provide comment on this recommendation, as it does not relate to work under the authority of DAS.

RECOMMENDATION 16
Analyze opportunities for expansion of the transparency website to include city, county, and other local governments.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	June 2023	Kathryn Helms 503-378-2105

Narrative for Recommendation 16

As the Transparency Program matures to be in compliance with the new standards and strategy established by the Chief Data Officer, DAS will continue to review and analyze opportunities for expansion of the Transparency Website and further collaboration with city, county, and other local government partners.

Please contact Lisa Upshaw, DAS Chief Audit Executive at 503-378-3076 with any questions.

Sincerely,

Katy Coba
Chief Operating Officer/DAS Director

Terrence Woods
State Chief Information Officer

Appendix A: Auditors' Rebuttal

In response to the audit report titled "Enhanced Transparency in Key Budget Practices Would Improve Government and Inform Decision-Making for State Spending," DAS agreed with 12 of the report's recommendations, partially agreed with two recommendations, and neither agreed nor disagreed with two recommendations.

As required by Government Auditing Standards,[27] we have reviewed the agency's response letter and provide the following rebuttal to clarify the audit findings and provide additional information to citizens and stakeholders.

In the second paragraph of the "Spending" section of its response, DAS asserted it reviewed examples we provided of increased end-of-biennium spending and determined these examples were appropriate. While following up on these relatively few examples was commendable, it is unclear as to what extent the examples were reviewed and what criteria was used to judge their appropriateness. Within the context of the audit finding, the basis for DAS's determination — that an agency's purchase of new office space and supplies at the end of the biennium was appropriate — is nebulous. As noted in DAS's response to recommendation no. 1, the agency agrees it needs to work with stakeholders to review polices to mitigate or eliminate end-of-biennium spending risks. Without this assessment, it is unclear as to how DAS determined end-of-biennium expenditures we provided were appropriate and transparent.

In the "Transparency" paragraph, DAS claims a revision to the transparency website has "been underway since early 2019, with new functionality and a new interface forthcoming." During the audit, we had multiple discussions and meetings with the transparency website manager who made no mention of this website revision. Similarly, in meetings to discuss audit findings and the draft report, the DAS Director, Chief Information Officer, Deputy Chief Information Officer, and Chief Data Officer made no mention of this revision. As DAS has not provided evidence for this assertion, we cannot vouch for its accuracy.

Below is additional information about DAS's response to specific recommendations.

Recommendation no. 1

Recommendation no. 1 prompts DAS to work with stakeholders to review and enact policies to mitigate or eliminate end-of-biennium spending risks. DAS acknowledged the risk presented by heightened end-of-biennium spending but only partially agreed to the recommendation, citing the need to work with stakeholders prior to enacting any policies. We anticipated the need for such a process, and drafted our recommendation to provide DAS flexibility by providing examples of policies used in other governments rather than advocating the use of a particular policy. As written, DAS's response leaves open the possibility for the agency to take no action following the review process with stakeholders.

DAS has the option to agree with our recommendation, but mitigate the risk in other ways than those we identified, including implementing decisions made as a result of its review process. The agency also has the option to disagree with the recommendation and accept the risks described in the report. Partial agreement, a response not provided as an option in the Audits Division response template, clouds accountability and transparency and hinders audit follow-up work.

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[27] Government Auditing Standards 7.37 https://www.gao.gov/assets/590/587281.pdf

Recommendation no. 6 (also relates to responses to recommendations no. 7 and 8)

At many points during the course of the audit, DAS staff indicated the implementation of the new personnel management system, Workday, would improve the transparency of position management practices in the state. Stakeholders within state agencies and the Legislature confirmed this was their expectation.

In their response, DAS only partially agreed to the recommendation Workday include information that identifies double-fills, rationale for their use, funding sources, and date double-fill will be resolved. As the now-replaced PPDB system identified if a position was a double-fill, and why it was double-filled, DAS's response indicates the new system may decrease the transparency of position management in the state.

If DAS is unable to add new fields or include new options for hire reasons in Workday, and instead intends to capture the recommended information in comment fields, it will need to monitor agencies' use of the fields to ensure that they record this information accurately and consistently.

Recommendation no. 10

DAS neither agreed nor disagreed with the recommendation the agency should request that the Legislature remove the statutory resource limitation for management of the state transparency website, and indicated it would engage in a review process concluding next year. It is unclear what DAS means when it neither agrees nor disagrees with a recommendation. The Audits Division audit response template does not offer this response as an option; agencies are asked to indicate either agreement or disagreement with the proffered audit recommendations to ensure transparency and accountability.

Multiple DAS program managers of the transparency website have called the statutory resource limitation the program's "guiding principle and core constraint" in several public meetings with the Transparency Oregon Advisory Commission. In the past, and during the course of this audit, many stakeholders, including members of the advisory commission and co-sponsors of the original legislation, indicated the resource limitation is a significant challenge for the program. Following an audit that was, in part, focused on the challenges and opportunities of the transparency website, it is unclear what an additional and lengthy review process would achieve. We believe our audit finding clearly demonstrates a need for enhancement. Further, it is surprising that DAS has not already reviewed the statute to determine if it aligns with current Oregon Transparency Program goals.

DAS's non-responsiveness to this recommendation, which is clearly within the agency's area of responsibility, is confusing and obscures accountability. If the agency does not intend to request a statutory change, the agency should indicate so.

Recommendation no. 13

DAS agreed with the recommendation that the agency should enhance current data on the transparency website, and provided a target date for implementation of January 2023 following the development of a statewide data standards manual. While the development of this manual would be helpful for the transparency website moving forward, some of the deficiencies noted in the report include the lack of basic information that are already available within current systems, such as transaction dates for expenditures and additional descriptive fields. Therefore, it is unclear why DAS intends to wait until January of 2023 to make such improvements.

Recommendation no. 15

DAS "neither agreed nor disagreed" with the recommendation the agency work with the Transparency Oregon Advisory Commission and Legislative Fiscal Office to encourage consistent meetings of the commission and timely release of the transparency program's biennial report.

The agency also did not provide support for its claim that it has no authority to take action in this area. The OSCIO within DAS is the agency responsible for managing the transparency website. Agencies that participate in advisory groups, as the DAS Chief Administrative Officer does in the Transparency Oregon Advisory Commission, typically work with those groups to ensure they fulfill their purpose. In addition, the OSCIO is responsible for the work that is detailed in the Advisory Commission's biennial report, such as enhancements made to the website, and has a clear role in informing the content of the report. For these reasons, it is unclear why DAS does not believe it has any authority to take action on this recommendation.

It is also unclear what the agency means by neither agreeing nor disagreeing with the recommendation. As noted previously, the Audits Division response template does not provide this response as an option. The agency's narrative seems to indicate disagreement with the recommendation. The response, as written, diminishes the goals of the Audits Division to ensure transparency and accountability.

Audit Team

Will Garber, CGFM, MPA, Deputy Director

Jamie Ralls, CFE, ACDA, Audit Manager

Kyle Rossi, Senior Auditor

Eli Ritchie, MPA, Staff Auditor

Bill Newell, Staff Auditor

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

This report is intended to promote the best possible management of public resources.
Copies may be obtained from:

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