



# Secretary of State **Oregon Audits Division**



Multiple Agencies

## **By Appropriately Administering Measure 76 Funds, Oregon Is Advancing Constitutional Goals for State Parks and Natural Resources**

December 2020  
**Report 2020-43**

Secretary of State Bev Clarno  
Audits Division Director Kip Memmott



# Executive Summary

## Why This Audit is Important

» Parks and natural resources are two of Oregon's irreplaceable assets that benefit all citizens. Voters passed Measure 76 in 2010, amending the state Constitution to protect these assets.

» Measure 76 designates 15% of Lottery revenues to a fund for that purpose. Recently, that fund has exceeded \$95 million per year.

» Much (39%) of the Measure 76 Fund is dedicated to grant programs.

» Appropriate procedures and tracking are necessary to ensure grant dollars are spent appropriately and completely.

» Measure 76 also amended the Constitution to require a regular audit of these moneys.

## Multiple Agencies By Appropriately Administering Measure 76 Funds, Oregon Is Advancing Constitutional Goals for State Parks and Natural Resources

### What We Found

1. Agencies are complying with grant expenditure requirements. ([pg. 10](#))
2. Agencies evaluate, award, and monitor grants effectively. ([pg. 10](#))
3. The Oregon Parks and Recreation Department has taken steps to prepare for a potential reallocation of funds. ([pg. 12](#))
4. Agencies' performance data demonstrates progress on constitutional achievements. ([pg. 13](#))

### What We Recommend

The Oregon Constitution requires the Secretary of State Audits Division to regularly audit any state agency that receives moneys from the parks and natural resources fund. The stated intent of the audit is to address the financial integrity, compliance with applicable laws, efficiency and effectiveness of the use of the moneys.

We found agencies receiving these funds have adequate processes and procedures in place to ensure the funds are achieving the stated constitutional purpose. As such, we have no recommendations to offer.

# Introduction

Oregon’s natural beauty and resources have long been an integral part of the state’s identity. Much of the state’s robust tourism industry relies on access to parks and outdoor recreational opportunities. The many natural resources found in the state — including timber, water, fish, and wildlife — have been the foundation of Oregon’s economy for decades. Beyond economic interests, Oregonians pride themselves on the natural beauty of the state and enjoy ready access to its many forests, hiking trails, waterways, beaches, and more. Maintaining the health and availability of the outdoors is critical to the state and its citizens.

Recognizing this fact, and desiring to continue investments in these areas, voters passed Measure 76 in 2010 and amended the Oregon Constitution. The Parks and Natural Resources Fund receives 15% of net lottery revenues, about \$100 million per year, and divides it equally between the parks and natural resources subaccounts.

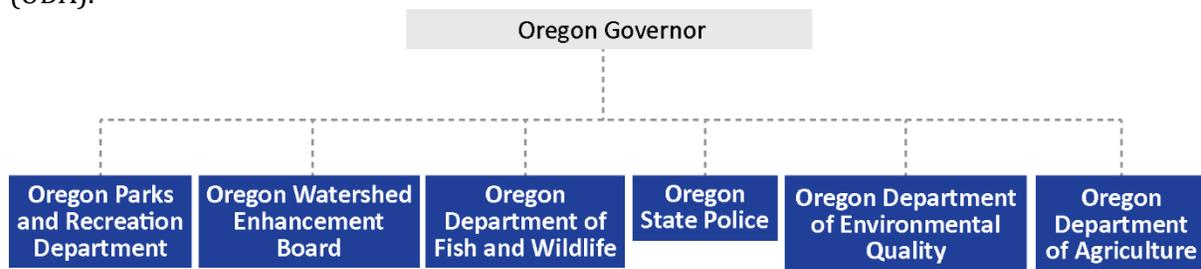


Oregon’s parks and natural resources are two of the state’s most valuable assets.  
Source: OWEB.

Parks funding is “distributed for the public purposes of financing the protection, repair, operation, and creation of state, regional and local public parks, ocean shore and public beach access areas, historic sites and recreations areas.”<sup>1</sup> Natural resource funding is for “the restoration and protection of native fish and wildlife, watersheds and water quality in Oregon.”<sup>2</sup>

Measure 76 also amended the Constitution to require a regular audit of the moneys. Per Article XV, section 4c, the Secretary of State “shall regularly audit any state agency that receives moneys from the parks and natural resources fund... to address the financial integrity, compliance with applicable laws, efficiency and effectiveness of the use of the moneys.”

Six Oregon agencies receive money from this fund and were therefore included in this audit: the Oregon Parks and Recreation Department (OPRD), the Oregon Watershed Enhancement Board (OWEB), the Oregon Department of Fish and Wildlife (ODFW), the Oregon State Police (OSP), the Oregon Department of Environmental Quality (DEQ), and the Oregon Department of Agriculture (ODA).



<sup>1</sup> Oregon Constitution, Article XV, Section 4, Paragraph 10

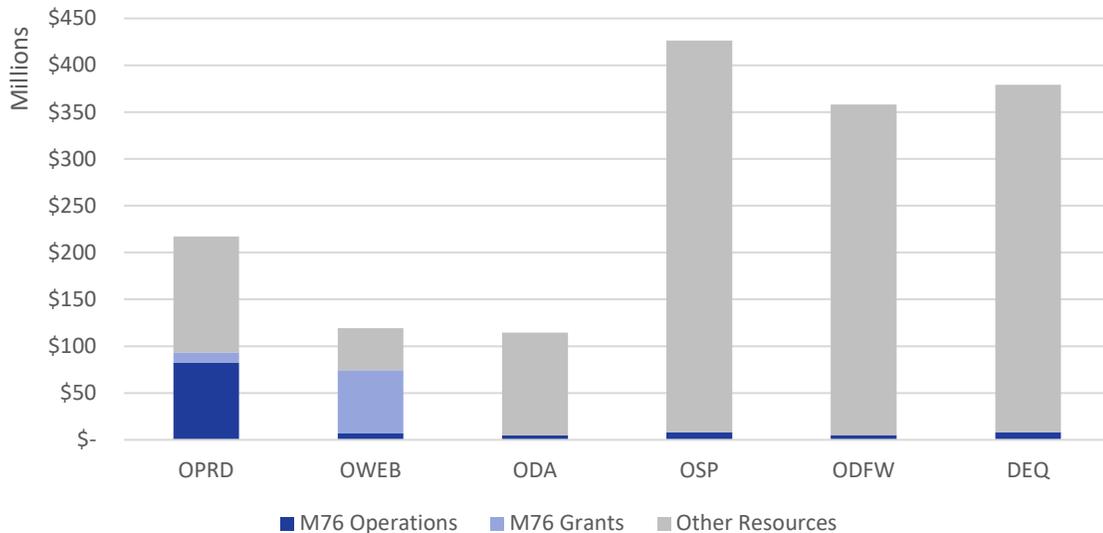
<sup>2</sup> Oregon Constitution, Article XV, Section 4, Paragraph 10

## Oregon has dedicated funding to conservation for over 20 years

The same principles in Measure 76 were first implemented in 1998, when voters passed Measure 66. The passage of Measure 76 made some changes over the previous iteration of the fund, the most significant being that, while Measure 66<sup>3</sup> required minimum amounts to be spent on capital expenditures, Measure 76 removed that requirement and replaced it with minimum amounts to be for local and regional grants.

Measure 76 is not the only funding source for park management and conservation efforts by the state. Many others exist, such as the state's General Fund and federal funds used by the six agencies receiving Measure 76 funds and by other agencies.

**Figure 1: Oregon entities receiving Measure 76 funds also receive other resources**



Source: Legislative Fiscal Office detailed analysis of the 2017-19 Legislatively Adopted Budget.

The appropriations for both the Measure 66 and Measure 76 Fund have generally trended upward since inception, beginning with \$111 million in the first full biennium (2001-03) and growing to \$193 million for the 2017-19 biennium. Beginning in spring 2020, the COVID-19 pandemic caused a decrease in lottery revenues, which may lead to reduced funding for the current and future biennia.

## Six agencies use Measure 76 funds for a variety of operational purposes

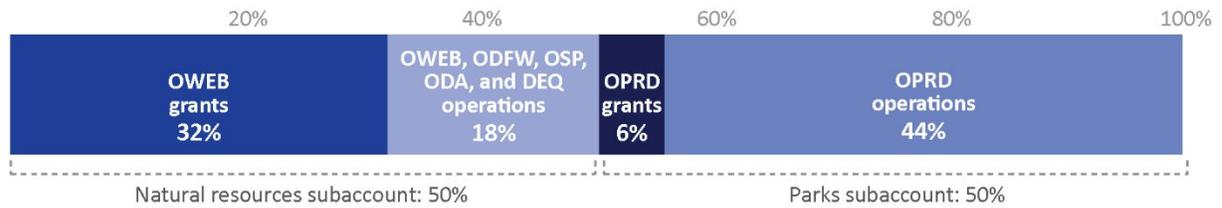
Currently, the Measure 76 Fund is dispersed to six agencies. Since it is a funding source with broad goals it allows for the participating agencies to implement unique structures and programs.

The fund is divided equally between the parks subaccount, which is allocated entirely to OPRD, and the natural resources subaccount, which is split among the remaining five agencies. The Constitution further divides these subaccounts into separate portions for grants and operations. Most of our audit procedures focused on the portions pertaining to grants as operational expenditures, which are primarily for payroll and services and supplies, appeared to have a lower risk. The grants portions generally must be awarded to entities other than the state for specific purposes, such as the construction of a local park or the completion of a wetland

<sup>3</sup> The Audits Division performed audits of Measure 66 funds. These can be found [on our website](#). They are reports no. 2010-27, 2008-20, 2007-01, 2005-17, and 2002-46.

restoration project. The operations portions have fewer restrictions and may be used by state agencies for costs such as payroll or rent.

**Figure 2: The Measure 76 Fund is allocated to several agencies for grants and operations**



Source: Oregon Constitution, Article XV, Section 4.

***OPRD uses Measure 76 funds to manage state parks and keep parks affordable and accessible***

OPRD’s mission is to provide and protect outstanding natural, scenic, cultural, historic, and recreational sites for the enjoyment and education of present and future generations. The agency focuses on protecting Oregon’s special outdoor and historic places, providing opportunities for great experiences and sustaining Oregon’s quality outdoor recreation and heritage resources for the future. OPRD is led by the seven-member Parks and Recreation Commission.

To accomplish its mission, OPRD provides one of the most popular state park systems in the nation — more than 250 properties providing more than 50 million visits a year — and manages other key recreation and heritage programs. These include Oregon’s public ocean shore, scenic waterways and bikeways, the State Historic Preservation Office, archaeology services, and historic cemeteries. OPRD programs serve Oregon communities directly with grants and guidance related to outdoor recreation, museums, and historic downtown revitalization.



Kayakers enjoy Collier Memorial State Park.  
Source: OPRD.

OPRD has about 600 full-time equivalent staff, with many employees being seasonal. In recent years, OPRD’s budget has been approximately \$100 million per year. Measure 76 funds are nearly half of OPRD’s revenues. Other significant revenues are park service fees, recreational vehicle registration fees, and federal funds.

In spring 2020, the COVID-19 pandemic caused a significant decrease in revenues, as both the Measure 76 lottery revenues and park service fees fell. This has forced OPRD

to cut costs in many areas and lay off a portion of its workforce. As of October 2020, OPRD is still responding to this budget shortfall as the situation develops.

Per the Oregon Constitution, OPRD must use at least 12% of the Measure 76 funds for grants; the remaining 88% is used by the agency for operations. All of the grant money is used for the Local Government Grant Program, which helps local governments gain or improve parklands. The grant program is described in more detail later in this report.

## ***OWEB uses Measure 76 funds to help accomplish its mission to protect natural resources***



OWEB protects Oregon's streams.  
Source: OWEB.

OWEB's mission is to help protect and restore healthy watersheds and natural habitats that support thriving communities and strong economies. The agency accomplishes this largely through grants to help Oregonians take care of local streams, rivers, wetlands, and natural areas. OWEB is led by an 18-member citizen board drawn from the public at large, tribes, and federal and state natural resource agency boards and commissions.

OWEB has about 30 full-time equivalent staff operating under an annual budget of \$55 million. Measure 76 funds comprise approximately 60% of OWEB's revenues. Other significant revenues are federal funds (primarily through the Pacific Coast Salmon Recovery Fund grant program) and salmon license plate revenues.

Much like OPRD, OWEB was also affected by revenue shortfalls as a result of the COVID-19 pandemic. In response, the agency paused financial awards and budget decisions.

OWEB is required to use at least 65% of the Measure 76 funds from the natural resources subaccount for a variety of grant programs. The remainder of OWEB's portion, which is approximately 4% of the natural resources subaccount, is used for operations — which primarily consists of grant-making and coordinating conservation efforts with many stakeholders. The most significant grant type is restoration, which is for projects that improve waterway or watershed habitat in a specific area using actions like adding beneficial plants to a stream bank or removing fish passage barriers like irrigation dams. Other grant types that support restoration activities are technical assistance, monitoring, operating capacity, and stakeholder engagement. These grants are described in more detail later in this report.

### ***Four other agencies with a role in protecting natural resources also receive Measure 76 funds***

ODA's mission is to ensure healthy natural resources, environment, and economy through the inspection and certification, regulation, and promotion of agriculture and food.

ODA annually receives about \$4.1 million in Measure 76 funds, representing about 7% of its revenues. Recently, ODA used about 70% of these funds for invasive species management programs and 30% for water quality programs. ODA also provides technical advice and helps to select grantees for two Measure 76 grant programs: the Oregon State Weed Board grants and the Soil and Water Conversation District grants.



ODA fights invasive species such as spotted knapweed.  
Source: ODA.

The mission of OSP is to serve the State of Oregon with a diverse workforce dedicated to the protection of people, property, and natural resources. The agency enforces the traffic laws on the state's roadways, investigates and solves crimes, conducts post-mortem examinations and forensic analysis, and provides background checks and law enforcement data. OSP is also charged with regulating hunting, fishing, the

handling of hazardous materials and fire codes, educating the public on fire safety, and enforcing fish, wildlife, and natural resource laws.



A state trooper inspects crab pots, enforcing wildlife laws. Source: OSP.

One of the larger agencies to receive Measure 76 funds, OSP annually receives about \$4 million in Measure 76 funds, representing about 2% of OSP's revenues, all of which goes to the agency's Fish and Wildlife Division. This division is comprised of 135 troopers who enforce hunting, fishing, and other natural resource laws.

OSP's Fish and Wildlife Division is not to be confused with ODFW, which regulates the harvest, health, and enhancement of native species populations. The agency manages fish hatcheries and wildlife areas, conducts research, and educates the public.

ODFW annually receives about \$2.6 million in Measure 76 funds, representing about 1% of its revenues, and uses these funds for a variety of programs. A common theme of these programs is native species conservation, which is accomplished by monitoring, data analysis, planning, policymaking, and on-the-ground projects.

The final agency to receive Measure 76 funds is DEQ, whose mission is to be a leader in restoring, maintaining and enhancing the quality of Oregon's air, land and water.

DEQ is a regulatory agency receiving annually about \$2.3 million in Measure 76 funds, representing about 1% of its revenues, all of which is used in the Water Quality Division on the Water Quality Monitoring, Water Quality Permitting, and Total Maximum Daily Load programs. These programs aim to maintain and improve the quality of Oregon's water resources.

## **Oregon uses grants as a powerful tool to fulfill the goals of Measure 76**

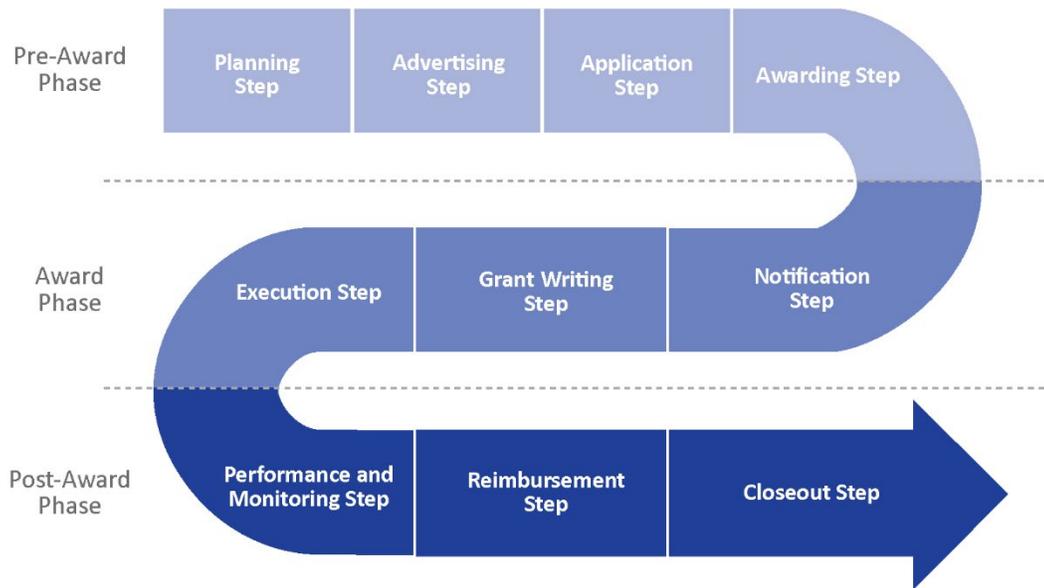
Granting is an important function to many government agencies. It helps to extend the reach of an agency's funds beyond what the government can do by itself. By granting, an agency involves more stakeholders, getting collaboration from entities with similar goals that might not have been involved in the absence of grants.

It also allows the leveraging of funds to secure "matching." For example, the grantor may contribute \$10,000 to a project contingent on a matching contribution by the grantee of \$5,000. This creates a project worth \$15,000 that fulfills the grantor's goals without having to spend as much money.

The constitutionally required Measure 76 grant programs are assigned to OPRD and OWEB. OWEB enlists the assistance of ODA in administering parts of its Measure 76 grant program. The specifics of these grants are covered in greater detail in the Audit Results section of this report.

### ***Grant offerings require planning, effort, and coordination***

A typical grant offering involves the following phases and steps. These can vary depending on the types of grants.



**Pre-Award Phase:** In planning, the grantor considers their objectives for the cycle and dedicates resources to the grant offering. The grantor also writes rules and applications to prepare. In advertising, the grantor notifies the public of the grant offering and encourages eligible entities to apply. This is followed by the application step, wherein potential grantees complete and submit applications, often using a web interface. Finally, the awarding step: The grantor reviews applications and selects awardees using a process that gives all applicants equal opportunities and funds the best grant proposals. This often involves a technical or eligibility review by staff in the grantor agency and a review by a committee of staff and volunteer stakeholders. Those reviews will result in recommendations. The ultimate selection of awardees is made by an appointed board or, if authority has been delegated, by grantor management.

**Award Phase:** This phase begins with notification, when the grantor notifies the applicant that they have selected their project for funding. This allows the applicant to begin preparing the project. The grantor will advise the grantee not to expend funds until an agreement is signed by both parties. This is followed by the grant writing step. The grantor drafts a grant agreement, which is a legally binding contract between the parties that describes the required actions for each party. Finally, the execution step is where both grantor and grantee sign the agreement and commit to the contract.

**Post-Award Phase:** Once the grant has been awarded, the grantee performs the project as written, periodically notifying the grantor of its progress. The grantor may conduct site visits and review documentation in what is considered the performance and monitoring step and is followed by the reimbursement step, where the grantee submits reimbursement requests. (This step applies to reimbursement basis grants, where the grantor only pays the grantee after the grantee incurs costs. Some grants are not on a reimbursement basis, allowing payments in advance of the time costs are incurred.) Finally, there is the closeout step. The grantee submits a final report and a final reimbursement request, if applicable. These items demonstrate completion of the project work. The grantor reviews these submissions to their satisfaction and considers the report closed.

## **Agencies use Key Performance Measures to evaluate progress for use of Measure 76 funds**

Measure 76 funds are used for operational purposes to meet constitutional achievements. Agencies use key performance measures that are reported annually to the Legislature in showing progress toward these achievements.

Key performance measures are the primary expression of an agency performance. They are high-level, outcome-oriented performance measures state agencies use to report externally to the Legislature and interested citizens. These measures communicate in quantitative terms how well the agency is achieving its mission and goals.

## Audit Results

The Oregon Constitution requires the Secretary of State Audits Division to regularly audit any state agency that receives moneys from the parks and natural resources fund to address the financial integrity, compliance with applicable laws, efficiency and effectiveness of the use of the moneys. This audit focused on grant administration as this was a recent constitutional requirement.

We found the three Oregon agencies administering grants have adequate processes in place to track grant expenditure requirements and are effectively evaluating, awarding, and monitoring these grants. We also found OPRD has taken steps to prepare for a potential reallocation of funds. Finally, we found the performance metrics of each agency demonstrate progress on constitutional achievements.

### Agencies have a process to track grant expenditure requirements

Measure 76 funds have constitutional requirements to be spent in certain ways. Of the funding received, OPRD is to spend no less than 12% for local and regional grants to either acquire property for — or to develop or improve — public parks, natural areas, or outdoor recreation areas. OWEB is to spend no less than 65% on grants to entities other than state or federal agencies for projects restoring watersheds and fish or wildlife habitats.

We found agencies have adequate processes in place to track grant expenditures to ensure they are meeting constitutional requirements. Both OPRD and OWEB use coding in the state's accounting system to track grant money to ensure the constitutional requirement is met. Both agencies also have processes to ensure that the required revenue is appropriately recorded. Expenditures are also coded to ensure the required amount of money is spent on grants.

### Agencies evaluate, award, and monitor grants effectively

#### *OPRD awards grants for local governments' park projects*

The Measure 76 allocation for OPRD grants goes entirely to the Local Government Grant Program. This program creates grants to local governments for projects that develop, rehabilitate, acquire, or plan for park and recreation facilities. Grants may be used, for example, to purchase a new city park, restripe a tennis court for pickleball, clear an overgrown trail, or engineer a plan for a city park.

The Local Government Grant Program has one grant cycle per year. Grants are typically between \$25,000 and \$1 million. In 2019, there were 33 grants awarded for a total of \$6.62 million.



Baker City residents playing on the Geiser Pollman Park Playground.  
Source: OPRD.

A technical review is completed by OPRD staff for all grant applications. Applications requesting \$75,000 or more are also reviewed by the Local Government Grant Advisory Committee, which

has 10 members. The committee scores applications using criteria based on administrative rule that includes demonstration of user benefits, public interest, conformance with local and state planning guidelines, cost/benefit, environmental assessments, project increase in outdoor recreation in the area, and accommodation for people with disabilities.<sup>4</sup> For applications requesting less than \$75,000, OPRD staff review and score using a similar process. The committee and staff present these to the OPRD director for approval and then forward them to the Parks and Recreation Commission for final approval.

Once grants are awarded and agreements are executed, projects are usually paid on a reimbursement basis, with receipts and proof of payment being required for reimbursement.

Projects typically last around two years. Grantees are often required to submit progress reports throughout the project and a final progress report at the close of the project. Reporting often includes before and after pictures of the project site.

We reviewed OPRD's processes for the Local Government Grant Program and found them sufficient to ensure grant applications are adequately evaluated, and grants are adequately awarded and monitored. We also reviewed grant documentation and found OPRD complied with its established processes.

### ***OWEB awards grants for various conservation activities with assistance from ODA***

OWEB uses Measure 76 funds for a variety of grant programs. Some of the grant types include land and water acquisition, restoration, stakeholder engagement, technical assistance, monitoring, focused investment partnership, and operating capacity.

All grant payments from the natural resource subaccount are paid through OWEB. Of the \$67.6 million for the 2017-19 biennium, \$9.75 million (14.4%) were grants processed with the assistance of ODA (\$3 million for noxious weed control grants and \$6.75 million for the Soil and Water Conservation District capacity grants).

Many of the OWEB grant applications are reviewed by one of six regional review teams, each of which consists of approximately 15 expert volunteers. This review may include an on-site visit. The regional team meets to discuss the projects and then recommends one of the following: fund, fund with conditions, do not fund, or defer. This decision is based on a variety of factors, including the criteria established in administrative rule, success of project completion, benefit to watershed function, habitat and quality, and cost/benefit.<sup>5</sup> Each team member scores each project. These scores are aggregated and a prioritized list of projects is summarized for the OWEB board. The OWEB board then votes to award the projects.

The ODA weed grants are reviewed by staff at both ODA and OWEB. The grants are then reviewed and approved by the Oregon State Weed Board. The board presents recommendations for funding to OWEB, who awards the grants based on those recommendations. Grantees receive payments of 50% at agreement, 25% at the mid-term, and 25% at final reporting. Most grant agreements have terms of about 18 months. Grantees must submit detailed invoices and reports at mid-term and closeout of the grant.

The ODA Soil and Water Conservation District grants are split into two types — district operations grants and statement of work grants. For the most part, the funds are split equally between all conservation districts in the state. The grants are paid in advance, with expenditure details due before the next payment. For monitoring, conservation districts submit various

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<sup>4</sup> See OAR 736-006-0145 for the full administrative rule.

<sup>5</sup> For the full administrative rules, see OAR 695-010-0030 and -0060.

reports to OWEB and ODA. Those reports have details about complaints, landowner interactions, projects, and conservation practices.



OWEB collects before and after photos from grantees to monitor projects. One such project restored a natural waterway by breaching of an old, unused dike.

Source: OWEB.

Some of the grants are monitored on-site each year. Grantees are often required to submit progress reports throughout the project and a final progress report is required at the close of the project. Reporting often includes before and after pictures of the project site, as well as data about the project. Examples of common types of data collected are GPS data for inclusion in the Oregon Watershed Restoration Inventory and number of acres treated for weed control.

Once awarded, most projects are paid on the reimbursement basis, although advance payments are sometimes allowed. If there are advanced payments, they are no more than 120 days in advance of project initiation and additional funding will not be provided until project support from the grantee is provided for the advance funding.

We reviewed OWEB and ODA's processes for their grant programs and found them sufficient to ensure grant applications are adequately evaluated, and grants are adequately awarded and monitored. We also reviewed grant documentation and found OWEB and ODA complied with its established processes.

### **OPRD has taken steps to prepare for a potential reallocation of funds**

A requirement of the Constitution is that the allocation for grants be increased once the fund rises above a certain threshold. That threshold is 150% over the 2009-11 biennium amount. Currently, OPRD must spend 12% of the parks subaccount and OWEB must spend 65% of the natural resources subaccount on grants. If the threshold is exceeded, these percentages increase to 25% and 70%, respectively. The increase is much more significant for OPRD (a 108% increase) than for OWEB (a 7% increase).

Forecasts made during the early stages of our audit suggested that the threshold could be exceeded as early as the 2020-21 biennium. Should this occur, OPRD will need to plan and

reallocate resources to comply with the Constitutional requirement. OPRD has initiated discussions to make the needed changes.

However, the COVID-19 pandemic in spring 2020 caused a decrease in lottery revenues, delaying the change in the grant funds reallocation. It is unclear when lottery revenues will return to pre-pandemic levels and continue growing to trigger the reallocation. We made inquiries and performed some analyses, but suspended further work since the reallocation was not forthcoming.

## Agencies' performance data demonstrates progress on constitutional achievements

As part of our review, we read the Constitution, read agencies' annual performance progress reports<sup>6</sup>, and inquired of the agencies. We compared agencies' performance data to the achievements in the Constitution.

The Constitution describes the purposes of the parks subaccount as follows:

"...[T]he legislative assembly shall appropriate all of the moneys in the parks subaccount ... to achieve all of the following:

- (a) Provide additional public parks, natural areas or outdoor recreational areas to meet the needs of current and future residents of the State of Oregon;
- (b) Protect natural, cultural, historic and outdoor recreational resources of state or regional significance;
- (c) Manage public parks, natural areas and outdoor recreation areas to ensure their long-term ecological health and provide for the enjoyment of current and future residents of the State of Oregon; and
- (d) Provide diverse and equitable opportunities for residents of the State of Oregon to experience nature and participate in outdoor recreational activities in state, regional, local or neighborhood public parks and recreation areas."<sup>7</sup>

OPRD reports to the Legislature annually using the following key performance measures:

- Park visitation: Visitors per acre of Oregon Parks and Recreation Department property.
- Heritage program benefits: Number of properties, sites, or districts that benefit from an OPRD-managed heritage program.
- Grant programs: Percent of Oregon communities that benefit from an OPRD-managed grant program.
- Property acquisition: Park lands and waters acquired by OPRD as a percentage of the total goal, otherwise known as the recreation lands index.
- Facilities backlog: Percent reduction in facilities backlog since 1999.
- Customer satisfaction: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent"; overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.
- Commission best practices: Percent of total best practices met by the State Parks and Recreation Commission.

We concluded these measures are adequate to demonstrate the level at which OPRD is fulfilling the constitutional achievements.

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<sup>6</sup> These reports are available at <https://www.oregonlegislature.gov/lfo/APPR/Forms/AllItems.aspx>

<sup>7</sup> Oregon Constitution, Article XV, Section 4a(1).

The Constitution describes the purposes of the Natural Resources subaccount as follows:

“...[T]he legislative assembly shall appropriate all of the moneys in the natural resources subaccount ... to accomplish all of the following:

- (a) Protect and Improve water quality in Oregon’s rivers, lakes, and streams by restoring natural watershed functions or stream flows;
- (b) Secure long-term protection for lands and waters that provide significant habitats for native fish and wildlife;
- (c) Restore and maintain habitats needed to sustain healthy and resilient populations of native fish and wildlife;
- (d) Maintain the diversity of Oregon’s plants, animals and ecosystems;
- (e) Involve people in voluntary actions to protect, restore and maintain the ecological health of Oregon’s lands and waters; and
- (f) Remedy the conditions that limit the health of fish and wildlife, habitats and watershed functions in greatest need of conservation.”<sup>8</sup>

OWEB reports to the Legislature annually using the following key performance measures:

- Operations: The percentage of total funding used in agency operations.
- Funding from other sources: The percent of funds contributed from other sources on OWEB funded restoration projects.
- Grant-making across Oregon: Percent of Oregon's 76 sub-basins within which Oregonians benefit from OWEB's grant programs.
- Timeliness of grant-making: The percent of open solicitation grant agreements executed within one month after Board award.
- Fish populations: The percentage of monitored native fish species that exhibit increasing or stable levels of abundance.
- Watershed council governance: Percent of OWEB-funded watershed councils that demonstrate effective organizational governance and management using OWEB merit criteria.
- Payments: The percentage of complete grant payment requests paid within 24 days.
- Streamside habitat: The number of riparian stream miles restored or enhanced as a result of OWEB-funded grants.
- Upland habitat: Acres of upland habitat restored or enhanced as a result of OWE- funded grants.
- Native species habitat and water quality: Percent of restoration, acquisition, or technical assistance funding invested to address habitat for threatened, endangered, or species of concern, or water-quality concerns identified.
- Native fish habitat quantity: Miles of fish habitat opened as a result of completed fish passage projects funded through OWEB grants.
- Customer service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.

We concluded these measures are adequate to demonstrate the level at which OWEB is fulfilling the constitutional achievements.

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<sup>8</sup> Oregon Constitution, Article XV, Section 4b(1)

## Recommendations

The Oregon Constitution requires the Secretary of State Audits Division to regularly audit any state agency that receives moneys from the parks and natural resources fund. The stated intent of the audit is to address the financial integrity, compliance with applicable laws, efficiency and effectiveness of the use of the moneys.

We found the agencies receiving these funds have adequate processes and procedures in place to ensure the funds are achieving the stated constitutional purpose. As such, we have no recommendations to offer.

# Objective, Scope, and Methodology

## Objectives

The objectives of this audit were to:

- Determine whether granting agencies are complying with the minimum grant requirements.
- Determine whether agencies have effective grant administration processes to (1) evaluate and award grants that further the purposes outlined in Measure 76 and (2) monitor grants to ensure they are meeting the objectives of the grant award.
- Determine whether OPRD is prepared for an increase in grant funding.
- Present information on agencies' performance data used to support achievement of constitutional goals.

## Scope

Our scope was limited to the use of Measure 76 funds. Only OPRD, OWEB, and ODA are involved in the distribution of grant funds, so the majority of our work was limited to those agencies. Most of our procedures were limited to the 2017-19 biennium.

## Methodology

To address the audit objectives, we interviewed key staff, management, and board members at OPRD, OWEB, ODA, OSP, ODFW, DEQ, and the Legislative Fiscal Office.

We reviewed relevant constitutional requirements, laws, regulations, and legal opinions. We obtained and reviewed budget, accounting, and performance reports. We obtained an understanding of applicable internal controls, especially as they pertained to grant processes.

We tested to ensure that the agencies had a process to ensure the 12% and 65% grant requirements were met. We reviewed budgeted amounts and data from the state accounting system.

We did not test operational funds. Based on our interviews with agency staff and review of data, operational funds appear reasonable and allowable for the use of Measure 76.

We obtained grant data from OPRD, OWEB, and ODA, then performed limited data reliability testing. During the 2017-19 biennium, about 900 grants were awarded by these agencies. We selected random statistical and nonstatistical samples of grant applications and grant agreements.

We tested a total of 116 grant applications using the following tests:

- Was an eligibility or technical review completed?
- Was scoring criteria used? (Or, was project evaluation documentation retained?)
- Was the grant for a Measure 76 purpose?

We tested a total of 109 grant agreements using the following tests:

- Did the board approve the grant?
- Was the grant for a Measure 76 purpose?
- Was the grant agreement signed by the agency and the grantee?
- Were selected reimbursement requests for the grant payments appropriately approved (the request is related to the grant and appropriate detail is submitted)?

- Did the total payments not exceed the maximum dollars in the agreement as amended?
- Did monitoring during the project occur (or were deliverables throughout the project met)? (Or, was a progress report submitted before the end of the project?)
- Was correct closeout documentation retained (e.g. pictures, copy of deed, etc.) and were grant objectives met?

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 objectives. 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 OPRD, OWEB, ODA, OSP, ODFW, DEQ, and the Legislative Fiscal Office during the course of this audit.



## **Audit Team**

Mary Wenger, CPA, Deputy Director

Kelly Olson, CPA, Audit Manager

Michelle Rock, CPA, Lead/Principal Auditor

Aaron Hiddleson, Staff Auditor

David Drohman, CPA, 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.  
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