

**Office of the Secretary of State**

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**Audits Division**

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March 30, 2021

Fariborz Pakseresht, Director  
Department of Human Services  
500 Summer St NE E-15  
Salem, OR 97301

Dear Mr. Pakseresht:

We have completed audit work of a selected federal program at the Department of Human Services (department) for the year ended June 30, 2020.

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
93.558	Temporary Assistance for Needy Families	\$ 153,460,930

This audit work was not a comprehensive audit of your federal program. We performed this federal compliance audit as part of our annual Statewide Single Audit. The Single Audit is a very specific and discrete set of tests to determine compliance with federal funding requirements, and does not conclude on general efficiency, effectiveness, or state-specific compliance issues. The Office of Management and Budget (OMB) Compliance Supplement identifies internal control and compliance requirements for federal programs. Auditors review and test internal controls over compliance for all federal programs selected for audit and perform specific audit procedures only for those compliance requirements that are direct and material to the federal program under audit. For the year ended June 30, 2020, we determined whether the department substantially complied with the following compliance requirements relevant to the federal program under audit.

<b>Compliance Requirement</b>	<b>General Summary of Audit Procedures Performed</b>
Activities Allowed or Unallowed	Determined whether federal monies were expended only for allowable activities.
Allowable Costs/Cost Principles	Determined whether charges to federal awards were for allowable costs and that indirect costs were appropriately allocated.
Eligibility	Determined whether only eligible individuals and organizations received assistance under federal programs, and amounts provided were calculated in accordance with program requirements.

Level of Effort, Earmarking	Determined whether the specified service or expenditure levels were maintained, and the minimum or maximum limits for specified purposes or types of participants were met.
Reporting	Verified the department submitted financial and performance reports to the federal government in accordance with the grant agreement and that those financial reports were supported by the accounting records.
Special Tests and Provisions	Determined whether the department complied with the additional federal requirements identified in the OMB Compliance Supplement.

## Noncompliance

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and are described below.

Material Noncompliance is a failure to comply with federal statutes, regulations and the terms and conditions of the federal award that results in an aggregation of noncompliance that is material to the affected federal program. As described below, we identified noncompliance with federal requirements that we consider to be material noncompliance. Compliance with such requirements is necessary, in our opinion, for the department to comply with the requirements applicable to the Temporary Assistance for Needy Families program.

## Internal Control over Compliance

Department management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the department's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major program and to test and report on internal control over compliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. As discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

## Audit Findings and Recommendations

### *Ensure performance data reports are complete and*

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Assistance Listing Name and Number:</b>	Temporary Assistance for Needy Families (TANF) (93.558)
<b>Federal Award Numbers and Years:</b>	2019G996115; 2019, 2020G996115; 2020
<b>Compliance Requirement:</b>	Reporting
<b>Type of Finding:</b>	Material Weakness, Material Noncompliance
<b>Prior Year Finding:</b>	2019-008; 2018-008
<b>Questioned Costs:</b>	N/A
Criteria:	45 CFR 265.3(a)

Federal regulations require the department to collect monthly and report quarterly certain non-financial data elements for services paid with TANF federal funding in the ACF-199 TANF data report. Federal regulations also require the department to report data quarterly for TANF eligible clients whose benefits are paid with designated state funds called maintenance of effort (MOE) in the ACF-209 SSP-MOE data report. Both data reports should be supported by applicable performance records.

We reviewed fiscal year 2020 client expenditure data as it related to the quarterly data reports. The dataset of client expenditures used to compile the information for the performance reports included some coding elements from the department's case management system, but not all information necessary to determine the funding source for individual client payments. The separate performance reports are intended to provide information on client services based on their funding source. Without the necessary funding source elements in the dataset we were unable to confirm if all cases paid with TANF federal funds were included appropriately in the ACF-199 reports. Based on our analysis, we found, on average, 2,230 cases per month may have been improperly excluded from the ACF-199 reports. We also found, on average, that 150 cases per month may have been improperly included in the ACF-199 reports because they did not have corresponding federal TANF expenditures.

Findings related to performance data reporting have been ongoing since fiscal year 2010. Due to the complexity of the issue, the department has been waiting for the implementation of a new eligibility system to address the reporting issues.

**We recommend** the department's office of information services ensure systems used for preparing the ACF-199 and ACF-209 reports provide the coding elements necessary for accurate and

complete reporting in compliance with requirements. We recommend program management ensure performance data reports submitted are complete and accurate.

***Ensure work participation rate calculation uses verified and accurate data***

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Assistance Listing Name and Number:</b>	Temporary Assistance for Needy Families (TANF) (93.558)
<b>Federal Award Numbers and Years:</b>	2019G996115; 2019, 2020G996115; 2020
<b>Compliance Requirement:</b>	Special Tests and Provisions
<b>Type of Finding:</b>	Material Weakness, Material Noncompliance
<b>Prior Year Finding:</b>	2019-009
<b>Questioned Costs:</b>	N/A
<b>Criteria:</b>	45 CFR 261.61; 45 CFR 261.62

Federal regulations require each state to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of data used in calculating work participation rates. Each state must have procedures to count and verify reported hours of work and must comply with its Work Verification Plan as approved by the U.S. Department of Health and Human Services (DHHS).

Oregon's Work Verification Plan outlines a system of controls for how reported hours will be verified and documented, and for independent reviews and monitoring procedures to catch errors.

Using a statistically valid sample, we reviewed 20 randomly selected case files of participating clients for verification of work activity participation. Of the 20 cases reviewed, we found 12 cases where the department did not adhere to the approved Work Verification Plan policies and procedures for maintaining documentation or accurately reporting hours of participation in their automated data processing system.

These inaccurate or unverified hours were used in calculating the work participation rate reported to DHHS. If the state fails to follow the approved Work Verification Plan, DHHS may penalize the state.

**We recommend** TANF program management ensure the work participation rate is calculated appropriately using verified and accurate participation data in adherence with the department's Work Verification Plan. We recommend program management review their system of controls and identify where improvements are needed to ensure compliance with the work verification plan.

***Ensure appropriate information is used for determining benefit amounts and eligibility***

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Assistance Listing Name and Number:</b>	Temporary Assistance for Needy Families (TANF) (93.558)
<b>Federal Award Numbers and Years:</b>	2019G996115; 2019, 2020G996115; 2020
<b>Compliance Requirement:</b>	Allowable Activities/Cost Principles and Eligibility
<b>Type of Finding:</b>	Material Weakness, Material Noncompliance
<b>Prior Year Finding:</b>	2019-010; 2019-011
<b>Questioned Costs:</b>	\$4,295 (known)

Criteria: 45 CFR 263.11(a)

Federal regulations allow the use of federal TANF funds for expenditures that are reasonably calculated to accomplish the purposes of the program. In Oregon, the eligibility criteria and determination of benefit amounts are based on multiple factors involving lack of financial resources, employment status, the composition of the household, and residency status.

Using a statistically valid sample, we reviewed 94 randomly selected client payments to verify the benefit amount was determined appropriately and identified the following errors:

- Ten cases where benefits were issued to ineligible clients. The majority of these errors were due to the absence of required client agreements or employability screening. Payments exceeded the 60-month federal time limit in one case, and the composition of the household made the recipient ineligible in two cases.
- Four cases where benefits were issued to eligible clients, but were for the wrong amount. In these cases benefits were calculated using the wrong number of people in the household or the pro-rated amount was miscalculated.

According to the TANF Policy Unit, missing documentation and oversights or misunderstanding of the eligibility criteria resulted in the errors listed above with known overpayment of federal funds amounting to \$4,295 and likely overpayments exceeding \$25,000.

**We recommend** program management ensure client benefit payments are correctly calculated, paid on behalf of eligible individuals, and documentation is maintained to support eligibility decisions and benefit calculations. We also recommend program management correct the identified cases and reimburse the federal agency for any amounts claimed for ineligible cases.

**Ensure eligibility re-determinations are conducted timely**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Assistance Listing Name and Number:** Temporary Assistance for Needy Families (TANF) (93.558)  
**Federal Award Numbers and Years:** 2019G996115; 2019, 2020G996115; 2020  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Significant Deficiency, Noncompliance  
**Prior Year Finding:** N/A  
**Questioned Costs:** \$4,158 (known)

Criteria: 42 USC §602(a)(1)(B)(iii)

Federal regulations require states to outline the criteria used in determining eligibility for TANF benefits in their approved plan. Oregon’s approved plan permits the department to use TANF funds to provide emergency child welfare intervention services as long as client eligibility is re-determined annually to determine if an emergent need still exists. If the re-determination is not completed within 30 days of the review due date, emergency assistance is not authorized and the client is deemed ineligible.

For fiscal year 2020, we randomly selected 25 emergency child welfare cases using a statistically valid sample and tested for eligibility determinations. We found that 15 of the 25 samples required re-determinations, and one of the 15 was not performed by the required date. According to the department, the re-determination for this case was accidentally missed, and when completed, the client was deemed ineligible. This resulted in \$4,158 known questioned costs for fiscal year 2020 which the department refinanced with state funds.

**We recommend** program management ensure eligibility re-determinations are completed timely.

**Prior Year Findings**

In the prior fiscal years, we reported noncompliance and internal control findings in the Statewide Single Audit Report related to the Temporary Assistance for Needy Families program. For the fiscal year-ended June 30, 2019; see Secretary of State audit report number 2020-14, and for the fiscal year-ended June 30, 2018; see Secretary of State audit report number 2019-14.

During fiscal year 2020, the department reported various trainings were held to address the issues noted and a new eligibility information system, known as the ONE system, is currently being rolled out for use across the agency and branch offices. The uncorrected findings will be reported in the Statewide Single Audit Report for the fiscal year-ended June 30, 2020 with a status of partial corrective action taken.

Prior Year Finding No.	Finding Title
2019-008; 2018-008	Improve Accuracy of Performance Data Reports
2019-009	Improve Compliance with Work Verification Plan Requirements
2019-010	Ensure Appropriate Information is Used for Determining Benefit Amounts
2019-011	Maintain Documentation to Support Client Eligibility

## Response to Current Year Findings

The audit findings and recommendations above, along with your responses, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2020. Including your responses satisfies the federal requirement that management prepare a Corrective Action Plan covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to each significant deficiency and material weakness includes the information specified by the federal requirement, and only if the responses are received in time to be included in the audit report. The following information is required for each response:

- 1) Your agreement or disagreement with the finding. If you do not agree with an audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
- 2) The corrective action planned for each audit finding.
- 3) The anticipated completion date.
- 4) The contact person(s) responsible for corrective action.

Please provide a response to Kari Mott by Wednesday, April 7, 2021 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Kari Mott, Principal Auditor or Mary Wenger, Deputy at 503-986-2255 or via email at [kari.e.mott@oregon.gov](mailto:kari.e.mott@oregon.gov).

Sincerely,

*Office of the Secretary of State, Audits Division*

cc: Eric Moore, Chief Financial Officer  
Sarah Landis, Agency Internal Auditor  
Dan Haun, Self Sufficiency Programs Director  
Claire Seguin, Self Sufficiency Programs Deputy Director  
Ray Miller, TANF Program Manager  
Katy Coba, Director, Department of Administrative Services  
Rob Hamilton, SARS Manager, Department of Administrative Services