

Office of the Secretary of State

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Secretary of State

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Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

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Salem, OR 97310

503-986-2255

March 26, 2021

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

Dear Mr. Pakseresht:

We have completed audit work of a selected federal program at the Oregon 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>
93.044, 93.045, 93.053	Aging Cluster	\$ 21,799,011

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.

Compliance Requirement	General Summary of Audit Procedures Performed
Matching, Level of Effort, Earmarking	Determined whether the minimum amount or percentage of contributions or matching funds was provided, the specified service or expenditure levels were maintained, and the minimum or maximum limits for specified purposes or types of participants were met.
Subrecipient Monitoring	Determined whether the state agency monitored subrecipient activities to provide reasonable assurance that the subrecipient administered federal awards in compliance with federal requirements.
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. Our opinion on the federal program is not modified with respect to these matters.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described below, that we consider to be a significant deficiency.

Audit Findings and Recommendations

Subrecipient monitoring controls should be strengthened to include review of financial records

Federal Awarding Agency:	U.S. Department of Health and Human Services
Assistance Listing Name and Number:	Special Programs for the Aging – Title III, Part B (93.044) Special Programs for the Aging – Title III, Part C (93.045) Nutrition Services Incentive Program (93.053)
Federal Award Numbers and Years:	2001ORCMC2, 2020; 2001ORHDC2, 2020; 2001ORHDC3, 2020; 2001OROACM, 2020; 2001OROAH, 2020; 2001OROANS, 2020, 2001OROASS, 2020; 2001ORSSC3, 2020
Compliance Requirement:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	N/A
Questioned Costs:	N/A

Criteria: 2 CFR section 331(d); 45 CFR sections 1321.11 and 1321.17(f)(9)

Federal regulations require the department to develop policies and monitor the activities of subrecipients as necessary to ensure the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

The department's process to ensure subrecipient compliance with federal program requirements includes monitoring program requirements, reviewing financial records, and reviewing subrecipients' annual single audit. The department's current subaward agreement requires subrecipients to provide supporting financial records for one quarter each biennium; management stated this requirement was not enforced due to staffing issues and the COVID pandemic. Additionally, the department did not require submission of supporting financial records during the prior biennium, resulting in no fiscal monitoring during that biennium as well.

Without fiscal monitoring procedures, the department cannot ensure subrecipients comply with federal fiscal requirements.

We recommend department management strengthen existing controls by implementing procedures that include review of financial records supporting expenditures submitted for reimbursement.

Response to Current Year Finding

The audit finding and recommendation above, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2020. Including your response 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 the significant deficiency includes the information specified by the federal requirement, and only if the response is received in time to be included in the audit report. The following information is required for the response:

- 1) Your agreement or disagreement with the finding. If you do not agree with the 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 Kelly Olson by Friday, April 2, 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 Alan Bell or Kelly Olson at 503-986-2255.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Liesl Wendt Justus, Deputy Director
Eric Moore, Chief Financial Officer
Shawn Jacobsen, Controller
Michael McCormick, APD Deputy Director
Jane-Ellen Weidanz, APD Long-Term Services & Support Administrator
Sarah Landis, Chief Audit Officer
Katy Coba, Director, Department of Administrative Services
Rob Hamilton, SARS Manager, Department of Administrative Services