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October 8, 2020

Katy Coba, State Chief Operating Officer and DAS Director
Department of Administrative Services
155 Cottage St. NE
Salem, Oregon 97301

Dear Ms. Coba:

We have completed audit work of selected internal controls relating to the Statewide Financial Management Application (SFMA) and Oregon State Payroll Application (OSPA) at the Department of Administrative Services (department). We performed this audit work as part of our fiscal year 2020 financial and compliance audit of Oregon's Comprehensive Annual Financial Report and major federal programs.

This audit work was not a comprehensive audit of the department. Instead, the work performed allowed us to achieve the following objectives: (1) determine whether selected internal controls, both manual and automated, governing the SFMA and OSPA information systems (systems) provided reasonable assurance over relevant financial reporting objectives; and (2) provide our statewide financial audit teams with reasonable assurance of the operating effectiveness of the systems' controls. Workday provided source information to OSPA for payroll runs; therefore, to a lesser degree, we included this system in our audit.

We planned and performed our audit work of internal controls relating to the systems in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and generally accepted control objectives and practices for information systems in the United States Government Accountability Office's publication, *Federal Information System Controls Audit Manual* (FISCAM). We considered the department's procedures over access, input, processing, output, and change management as a basis for designing auditing procedures for the purpose of providing reasonable assurance over the operating effectiveness of these systems' controls, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

We concluded that the selected internal controls governing the systems, both manual and automated, provided reasonable assurance over relevant financial reporting objectives and were operating as intended except as noted below. We noted the department had manual and automated controls in place, including: (1) controls over logical access, which generally provided a layer of security; (2) controls that ensured information entered into the systems remained complete and accurate during processing and outputs occurred as intended; and (3) controls over

system modifications that generally ensured changes to the systems followed industry-recommended change management procedures.

Internal Control over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

Significant Deficiency

Finalize Review and Document Policies and Procedures over Security Access

Effective controls over security access to information systems are designed to separate duties between the security administration function and the user functions. When conflicting access cannot be avoided, activities of those employees with conflicting access should be monitored to ensure only authorized access or changes are made. Management is responsible for establishing and clearly documenting these controls.

Workday has system controls that ensure an employee with update access cannot make changes to their own pay. However, employees with certain security access in Workday can make changes to their own access profiles that would enable them to inappropriately make changes to the personal information or pay of other employees.

We reported a similar finding last year and in response to our recommendations, agency management created a daily self-assigned roles report to run from the system and identify instances where roles were self-assigned; however, they did not ensure the reports were run consistently or maintain the results when they did run the reports. Management was unable to provide evidence that monitoring occurred or that appropriate corrective action was taken when self-assigned access was identified. Per management, staffing changes at DAS led to the lapse in report scheduling and monitoring.

Once management became aware monitoring activities were not occurring, management instituted a new control on March 24, 2020. This control requires that daily self-assigned roles reports are run, and results are maintained and provided to the appropriate parties at affected agencies to determine whether any corrective actions are required.

We recommend department management develop written policies and procedures related to the monitoring control implemented on March 24, 2020. Policies and procedures should include the objectives, techniques, and all pertinent aspects of the monitoring activities. Procedures should include follow-up with agencies where inappropriate self-assignments are identified to ensure appropriate corrective action is taken to remediate risk. Additionally, we recommend department management identify any self-assigned roles made prior to March 24, 2020 and communicate with agency personnel to determine the appropriateness of such assignments. The review results and any changes made to correct access or remediate risk should be documented.

Prior Year Findings

In the prior fiscal year, we reported a significant deficiency related to the department's internal controls in a letter dated September 16, 2019. This finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2019, as finding number 2019-005. See Secretary of State audit report number 2020-14.

During the fiscal year 2020, as stated above, the department took some action to correct this finding, however the finding has not been fully corrected and 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.

The above significant deficiency, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2020. Please prepare a response to the finding and include the following information as part of your corrective action plan:

- 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.
- 3) The anticipated completion date.
- 4) The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Julianne Kennedy by October 15, 2020 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal controls relating to SFMA and OSPA and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Katie Hull, Senior Auditor, or Julianne Kennedy, Audit Manager at (503) 986-2255.

Sincerely,

OREGON AUDITS DIVISION

Office of the Secretary of State, Audits Division

cc: George Naughton, Chief Financial Officer
Kate Nass, Deputy Chief Financial Officer
Lisa Upshaw, Chief Audit Executive
Brian DeForest, Chief Administrative Officer and Enterprise Goods and Services Administrator
Madilyn Zike, Chief Human Resources Officer
Trudy Vidal, Financial Business Systems Manager
Fabiola Flores, Statewide Financial Management Services Manager
Jason Robinson, Oregon State Payroll Services Manager
Rob Hamilton, Statewide Accounting and Reporting Section Manager