



Secretary of State Oregon Audits Division



Department of Administrative Services
**Recommendation Follow-up Report:
Progress Has Been Made, but COVID-19 Delayed
Some Efforts to Improve State Budget Transparency**

May 2021
Report 2021-17

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Executive Summary

Follow-up to Audit Report 2019-29

Department of Administrative Services

Recommendation Follow-up Report: Progress Has Been Made, but COVID-19 Delayed Some Efforts to Improve State Budget Transparency

May 2021

Follow-up Summary

The Department of Administrative Services (DAS) made progress on 11 of the 16 recommendations from the original audit, fully implementing six. COVID-19 response and preparation for the 2021-23 budget made it difficult for DAS to implement some recommendations, specifically those pertaining to end of biennium spending. Additionally, the agency's choice to deviate from standard response options in four recommendations made our follow-up work more difficult and limited accountability and transparency.

Findings from the Original Audit

- » Agencies spent more General Fund dollars and in discretionary areas at the end of biennia, which can increase the risk these types of expenditures are low quality, low priority, or wasteful.
- » Non-budgeted positions were common among state agencies. Unclear policies and poor tracking and reporting impeded oversight and transparency of this position practice.
- » A statutory resource limitation and competing priorities resulted in a transparency website that was less functional and more expensive than other states we reviewed.

Improvements Noted

- » DAS is implementing tools and processes to enhance its ability to review and analyze end of biennium spending patterns and increase transparency around non-budgeted positions. ([pg. 2](#))
- » DAS worked with the Legislature to allow additional investments into the transparency website. ([pg. 3](#))
- » DAS launched an updated transparency website with improved expenditure data, hired a contractor to benchmark its transparency program against identified best practices, and published the Oregon Open Data Standard in February 2021. ([pg. 4](#))

Remaining Areas of Concern

- » DAS has not yet implemented recommendations to mitigate the risks identified with end of biennium spending. ([pg. 2](#))
- » DAS is not consistently monitoring agency use of non-budgeted positions or posting usage reports on the transparency website. ([pg. 3](#))
- » DAS has not yet implemented any of the potential improvements identified by the contractor it hired or defined what constitutes "private information" for website users. ([pg. 4](#))
- » DAS has not leveraged its membership on the Transparency Oregon Advisory Commission to encourage consistent meetings, and timely release of the biennial reports that are required by law. ([pg. 5](#))

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 purpose of this report is to follow up on the recommendations we made to Department of Administrative Services (DAS) as included in audit report 2019-29, “Enhanced Transparency in Key Budget Practices Would Improve Governance and Inform Decision-Making for State Spending.”

The Oregon Audits Division conducts follow-up procedures for each of our performance audits. This process helps assess the impact of our audit work, promotes accountability and transparency within state government, and ensures audit recommendations are implemented and related risks mitigated to the greatest extent possible.

We use a standard set of procedures for these engagements that includes gathering evidence and assessing the efforts of the auditee to implement our recommendations; concluding and reporting on those efforts; and employing a rigorous quality assurance process to ensure our conclusions are accurate. We determine implementation status based on an assessment of evidence rather than self-reported information. This follow-up is not an audit, but a status check on the agency’s actions, and therefore does not adhere to the full set of government auditing standards.

To ensure the timeliness of this effort, the division asks all auditees to provide a timeframe for implementing the recommendations in our audit reports. We use this timeframe to schedule and execute our follow-up procedures.

Our follow-up procedures evaluate the status of each recommendation and assign it one of the following categories:

- **Implemented/Resolved:** The auditee has fully implemented the recommendation or otherwise taken the appropriate action to resolve the issue identified by the audit.
- **Partially implemented:** The auditee has begun acting on the recommendation, but has not fully implemented it. In some cases, this simply means the auditee needs more time to fully implement the recommendation. However, it may also mean the auditee believes it has taken sufficient action to address the issue and does not plan to pursue further action on that recommendation.
- **Not implemented:** The auditee has taken no action on the recommendation. This could mean the auditee still plans to implement the recommendation and simply has not yet acted; it could also mean the auditee has declined to take the action identified by the recommendation and may pursue other action, or the auditee disagreed with the initial recommendation.

The status of each recommendation and results of our follow-up work are detailed in the following pages.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DAS during the course of this follow-up work.

Recommendation Implementation Status

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.

**Partially
implemented**

The Chief Financial Office within DAS told us it has reviewed end of biennium policies but has not held formal conversations with the Legislature or the Legislative Fiscal Office (LFO) regarding which policies to adopt. DAS could not provide evidence of this review. DAS also pointed out the effect the COVID-19 pandemic has had on agency spending. DAS is uncertain whether these spending patterns are permanent or one-time in nature. As a result, DAS committed to working with LFO during the 2021-23 biennium to review spending patterns and make decisions on which policies should be implemented.

Recommendation #2

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

**Not
implemented**

DAS has not yet performed these analyses due to the effect of the COVID-19 pandemic on typical agency spending patterns. DAS is planning a long-term approach, anticipating that agencies will return to more normal spending during the 2021-23 biennium. As a result, DAS plans to analyze these more "regular" patterns while building the 2023-25 budget.

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.

**Not
implemented**

DAS cited the increased workload stemming from administering Coronavirus Relief Funds as the reason it has not yet completed this work. It has committed to working with agencies in 2021 to document actions agencies take to comply with the Oregon Accounting Manual rules.

Recommendation #4

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

**Partially
implemented**

DAS is in the middle of replacing the statewide procurement system with OregonBuys. Statewide implementation is projected to begin September 2021 in three waves. DAS anticipates the third wave of implementation ending May 2023. In its response to the audit, DAS stated it will begin the spend review as each wave implements OregonBuys, the state's new procurement system, and anticipates performing the first statewide analysis in fall 2025.

Recommendation #5

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

Implemented

DAS updated its statewide recruitment and selection policy to provide guidance on the appropriate use of non-budgeted positions (previously double-fills). One component of this updated guidance is the use of non-budgeted positions may be approved or directed by the DAS Budget and

Management section. This would allow an agency to use these positions to ensure continuity of operations.

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.

Implemented

The Oregon Position Information Control System is now integrated within Workday, the state's electronic human resource management program. This allows agencies to see position budget information within Workday. When a new position is created in the system, there is a field requiring the reason for creating the position, along with a comment box for agencies to use for other documentation, such as the funding sources and how the agency will resolve the unbudgeted position. DAS created reports for agency personnel to use in their management of positions. We reviewed two examples of these reports and confirmed they contain the recommended fields.

Recommendation #7

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

Partially implemented

With the creation of the reports in recommendation no. 6, DAS has requested agencies review the reports for non-budgeted positions to ensure agencies follow DAS policy. DAS states it does not have staff to regularly monitor agency use of these positions and compliance with policy. While the creation of the reports and revision to DAS policy for non-budgeted positions are key steps to addressing this recommendation, the lack of external oversight (even if that oversight is periodic) reduces the mitigation of risks highlighted in the original audit.

Recommendation #8

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

Implemented

The position reports DAS created in response to recommendation no. 6 may be used to identify how many non-budgeted positions (formerly double-fills) an agency is using.

Recommendation #9

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

Not implemented

DAS did not create reports to post on the transparency website, as it needed to redesign the position budget data within Workday. Now that position reports are available for users, DAS stated it will begin exploring options to address the recommendation.

Recommendation #10

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

Implemented

In their response to the original audit, DAS leadership declined to agree or disagree with this recommendation, but did not identify a clear reason why, indicating instead it would engage in a review process that it expected to complete in March 2020. In 2020, DAS Enterprise Information Services authored and submitted a legislative concept to address the resource limitation within the Oregon Revised Statutes. During the August 2020 emergency session, the Legislature passed House

Bill 4304 amending the statutes for the Transparency Program and removing the associated resource limitation.

Recommendation #11

Identify and implement functionality improvements to the transparency website to make the site more usable and intuitive for end-users.	Implemented
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DAS launched an updated transparency website in May 2020 with enhanced data visualizations and interactive features to allow more user-friendly access to data. DAS also confirmed current improvements and modifications are ongoing. While DAS is taking steps to make the website more useable and intuitive for end-users, improvements like these require ongoing effort and investment. As such, we consider this recommendation implemented but expect that DAS's work is not done in this area given the opportunities pointed out in the original audit.

Recommendation #12

Perform and document a cost/benefit analysis for redesign of the transparency website, including options for implementation of new software.	Implemented
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DAS hired a contractor to benchmark its Oregon Transparency Program against identified best practices in open data and transparency, along with five peer states. The report was completed in June 2020 and contains comparisons to other states, trends and best practices in public sector transparency programs, challenges facing Oregon government's transparency efforts, and opportunities to advance transparency both in the short and long terms. It is not clear how or when DAS plans to put the recommendations in the report into effect.

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.	Partially implemented
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Since the issuance of the original audit, DAS added the budget classification number and budget classification names to the expenditures dataset. It also noted it has provided a broader interactive view of expenditure data. Additionally, DAS published the Oregon Open Data Standard in February 2021, which includes requirements for agencies to comply with when publishing data to the website. If followed, these requirements should help enhance the information on the transparency website.

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.	Not implemented
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In reply to our inquiry about the status of this recommendation, DAS staff said the disclaimer has been updated over time. Upon review of the current website disclaimer (April 2021), we found that while language has been stripped away from the disclaimer, the core statement within the original disclaimer remains unchanged. Furthermore, the website still does not include a definition of what constitutes private information.

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.

**Not
implemented**

In their response to the original audit, DAS leadership declined to agree or disagree with this recommendation, claiming the recommendation does not relate to work under the authority of DAS. As required by Government Auditing Standards, we issued a rebuttal wherein we disagree with the agency's assertion that it lacks authority for the following reasons. Enterprise Information Services (formerly the Office of the State Chief Information Officer) within DAS is 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 within those groups to ensure they fulfill their purpose. In addition, Enterprise Information Services 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.

Recommendation #16

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

**Partially
implemented**

In its response to our follow-up inquiry, DAS stated the new Open Data Standard will provide local and regional governments the opportunity to collaborate with the state in providing additional access to datasets on the transparency website. However, in our review of the Open Data Standard (April 2021), we did not see specific guidance for local and regional governments to follow in order to include their data on the transparency website. While the general guidance designed for state agencies may also apply to these local and regional governments, a specific set of instructions and guidance for them to follow would go further in implementing this recommendation.

Conclusion

DAS made progress toward addressing our recommendations, with six recommendations fully implemented, five recommendations partially implemented, and five recommendations not implemented.

In implementing five recommendations, DAS enhanced the statewide position management policy to allow the use of non-budgeted positions if their use ensures continuity of operations. The agency also added fields to Workday, and developed reports to enable the identification of non-budgeted positions. Finally, DAS worked with the Legislature to enable the investment of more resources into the state's transparency website, launched a new version of the website with improved features, and hired a contractor to benchmark the state transparency program against best practices and provide recommendations to further enhance Oregon's efforts in this area.

The COVID-19 pandemic delayed DAS's implementation on two of our recommendations related to end of biennium spending. Agency spending patterns shifted in response to moving much of the state workforce to a remote model; furthermore, as the state implements a new procurement system, it will provide DAS with more data in its analysis of spending patterns. The other three recommendations can be addressed by posting unbudgeted position reports on the transparency website, clarifying language in the website's disclaimer, and encouraging the Oregon Transparency Advisory Commission to meet and post reports regularly.

In its response to the original audit, DAS agreed with 12 of the report recommendations, partially agreed with two, and neither agreed nor disagreed with the remaining two. As we outlined in our

rebuttal to the agency response, the Audits Division response template does not offer partial agreement as an option, nor does it allow agencies the ability to decline to agree or disagree with a recommendation. As with all of our audits, DAS has the option to agree with the recommendation, but mitigate the risk in other ways; or disagree with the recommendation and accept the risks described in the report.

By providing instead these extraneous responses, the agency's response to the recommendations limits accountability and transparency and made our follow-up work more difficult.



Follow-up Report Team

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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.

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