



Fiscal Year 2022 Keeping Oregon Accountable

September 2023
Report 2023-29



Secretary of State
LaVonne Griffin-Valade



Audits Director
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Report Highlights

Fiscal Year 2022
Keeping Oregon Accountable

The Secretary of State Audits Division annually audits the State of Oregon's financial statements and compliance with federal program requirements. The federal government requires these audits for the financial assistance Oregon receives every year. These audits determine whether amounts reported in Oregon's financial statements are materially correct and adequately supported; evaluate the state's administration of major federal programs for compliance with applicable laws, rules, and regulations; conclude on whether the Schedule of Expenditures of Federal Awards is fairly presented in relation to the state's financial statements; and review accounting and compliance control procedures.

The results of these audits are included in the [State's Annual Financial Report](#) and the annual [Statewide Single Audit Report](#). This report summarizes the fiscal year 2022 audits, which went from July 1, 2021, to June 30, 2022.

Audit of the State of Oregon's Financial Statements

- We issued an unmodified opinion (clean) on the state's financial statements for fiscal year 2022.
- We identified \$4.6 billion in accounting errors (unintentional mistakes) and proposed adjustments to correct them in the financial statements.
- We issued six material weaknesses and 11 significant deficiencies in internal control with recommendations to improve standard controls used to ensure the accuracy of financial information. A material weakness is a deficiency that could reasonably lead to a material misstatement. A significant deficiency is less severe than a material weakness, yet requires corrective action.

Audits of Compliance with Federal Program Requirements

- We audited 17 federal programs at seven agencies and issued 50 findings and recommendations.
- The state expended more than \$20.8 billion in federal funds, including over \$5.6 billion in COVID-related funding.
- We questioned whether \$9.1 million in expenditures were appropriately paid with federal funds.
- We issued a disclaimer of opinion on the Emergency Solutions Grant program due to a lack of sufficient evidence to complete all audit procedures and form an opinion.
- We issued an adverse opinion on the Emergency Rental Assistance program, which indicates program management did not comply in all material respects with certain requirements that could have a direct and material effect on the program. This is the first time in 25 years the Audits Division has issued a disclaimer of opinion and adverse opinion.
- We issued qualified opinions on: the Coronavirus State and Local Fiscal Recovery Fund; Temporary Assistance for Needy Families; Low-Income Home Energy Assistance Program; Block Grants for Community Mental Health Services; and Block Grants for Prevention and Treatment of Substance Abuse programs. Qualified opinions indicate the internal controls are inadequate to prevent or detect significant noncompliance in a timely manner.
- We followed up on 54 findings from the prior three years to see if corrective action had been taken at eight agencies.

Overview of Annual Financial and Federal Audits

The Secretary of State Audits Division annually audits the State of Oregon's financial statements and compliance with certain federal program requirements. The federal government requires these audits for Oregon to receive financial assistance. Prior to the pandemic, federal financial assistance ranged between \$11 and \$12 billion per year. With the onset of the pandemic came new and expanded federal programs; as a result, the state received \$17 billion in fiscal year 2020, \$22 billion in fiscal year 2021, and \$21 billion in fiscal year 2022.

The annual financial and federal audits determine whether the amounts reported in Oregon's financial statements are materially correct and adequately supported, and evaluate the state's administration of major federal programs for compliance with applicable laws, rules, and regulations.

This report summarizes the results of the fiscal year 2022 annual audits: The State's [Annual Comprehensive Financial Report](#) and annual [Statewide Single Audit Report](#). Detailed financial and federal findings, auditor recommendations, and agency planned corrective actions are included in the Statewide Single Audit Report. A glossary of accounting terms is located [at the end of this report](#).

Annual Financial Report

State agency directors and managers are accountable to Oregonians for how they use public monies. To help ensure accurate financial reporting, state agencies are to comply with Generally Accepted Accounting Principles. The management of each state agency is responsible for implementing and maintaining effective internal controls to ensure the integrity of financial and accounting information.

Preparing accurate financial statements is essential for ensuring reliable and transparent financial information is provided to decision-makers and key stakeholders. These statements provide a comprehensive view of the state's financial activities during the fiscal year (Statement of Activities) and an overall picture of the state's financial position at the end of the fiscal year (Statement of Net Position).

Statewide Accounting and Reporting Services, a unit of the Department of Administrative Services, prepares the statements by compiling financial information from more than 100 state agencies into the proper format for governmental reporting. The unit also provides accounting guidance and training to state agency staff throughout the year.

We audit these financial statements following Government Auditing Standards applicable to financial audits, which require we plan and perform audit work to obtain reasonable assurance about whether the financial statements are materially correct. As part of the annual audit of the state's financial statements, we provide our professional opinion about the completeness, accuracy, and reliability of the state's accounting information. Accurate and reliable accounting data is crucial to tracking how state dollars are spent and provides a starting point for the next budget cycle.

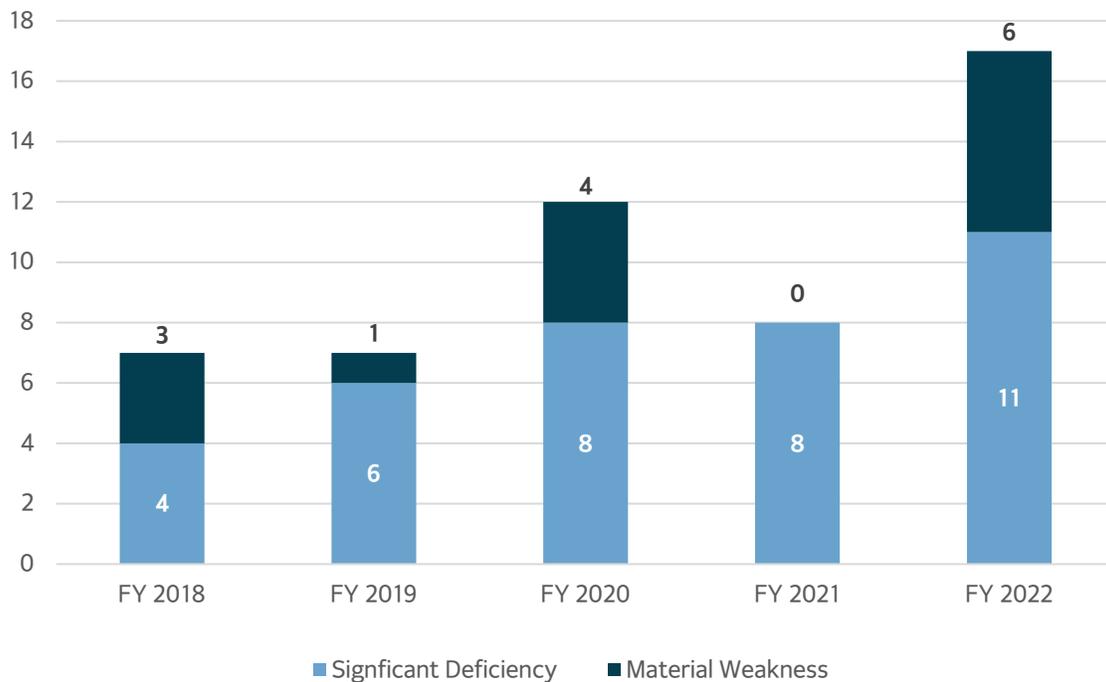
Fiscal year 2022 results

We issued an unmodified opinion on the state’s financial statements for fiscal year 2022, meaning the financial statements, as corrected, are “fairly presented in conformance with Generally Accepted Accounting Principles.”

To conduct this audit, our financial auditors performed audit procedures of all major funds of the government and audited hundreds of accounts at 25 state agencies, including the Departments of Human Services, Education, Transportation, Revenue, and the Oregon Health Authority. During the course of our audit, we reviewed assets of \$56 billion, liabilities of \$22 billion, revenues of \$41 billion, and expenditures of \$37 billion. We reported the results of our audit to agency management, the state Legislature, federal officials, and the public.

Our audit of the state’s financial records resulted in 17 findings across 14 state agencies. To mitigate risks from these findings, we recommended agencies improve standard controls commonly used to ensure the accuracy of financial information. The type of control finding we report depends on the degree of control weakness and generally falls into one of two categories, as shown in Figure 1: a significant deficiency or material weakness. A material weakness is more severe and more likely to have an impact on the financial statements.

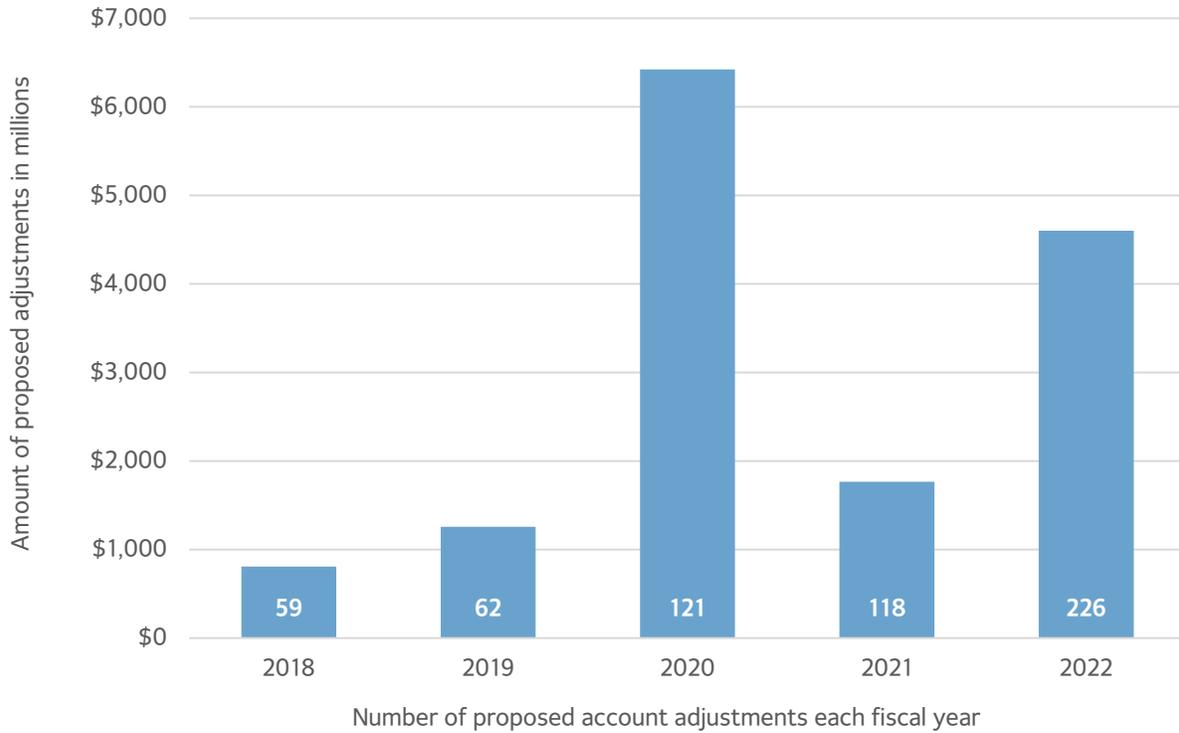
Figure 1: The number of material weaknesses identified varies from year to year



We proposed audit adjustments to correct accounting errors in the state’s financial statements. Accounting errors occur when an agency does not record a transaction, or records a transaction using incorrect account coding, resulting in amounts appearing in the wrong year or the wrong place in the financial statements. Adjustments may also be necessary when an accounting standard is misinterpreted or misapplied.

When errors are large enough to misrepresent the balance of a fund, we propose adjustments to correct the account balance. Figure 2 shows the dollar amount and number of adjustments significantly increased in fiscal year 2022 from 2021. The majority of last year’s monetary adjustments were due to implementing new accounting standards and errors in recording complex COVID-19 funding.

Figure 2: The dollar amount of adjustments increased in fiscal year 2022



Approximately 30% of the dollar amount of audit adjustments in fiscal year 2022 resulted from errors in recording advanced COVID-19 funding. An additional 20% stemmed from incorrect or incomplete implementation of the new lease accounting standards under Government Account Standards Board (GASB) pronouncement 87.

Other audit adjustments resulted from control deficiencies related to year-end accounting entries, where accruals did not reasonably estimate actuals, contained arithmetic errors, or were not made. Additionally, deficiencies were related to incorrect revenue recognition, bond valuations, account classifications, and payable balances.

Most of our proposed adjustments moved reported amounts from one financial account to another to properly report account balances in the correct classification. These proposed adjustments were necessary to align Oregon’s financial statements with accounting standards and demonstrate the importance of the annual financial audit. Figure 3 lists the agencies where we proposed audit adjustments for fiscal year 2022.

Figure 3: Proposed financial audit adjustments totaled \$4.6 billion for fiscal year 2022

State agency	Accounts affected	Amount
Oregon Department of Human Services / Oregon Health Authority	47	\$2,030,682,661
Department of Corrections	2	492,047,828
Oregon Business Development Department	34	437,124,861
Department of Revenue	4	353,598,124
Department of Consumer and Business Services	6	299,889,320
Oregon Department of Transportation	16	293,545,574
Oregon Judicial Department	4	208,050,380
Department of Environmental Quality	21	190,624,510
Department of Justice	34	91,012,991
Multiple agencies*	18	69,664,804
Oregon Military Department	2	47,800,119
Oregon State Police	22	29,275,178
Higher Education Coordinating Commission	5	28,460,700
Oregon Department of Forestry	5	16,062,781
Oregon Employment Department	4	10,177,099
Oregon Housing and Community Services	2	3,333,569
Total	226	\$4,601,350,499

*Note: In fiscal year 2022, adjustments were proposed to identify and track activity related to smaller agencies (e.g., Oregon Film & Video, Travel Information Council, and Commodity Commissions) that are part of the reporting entity, but optionally excluded from the financial statements.

History of annual financial report findings

As part of our audit, we also assess whether agencies have made progress on correcting findings from prior years. As shown in Figure 4, 10 financial findings from prior years were corrected in 2022. While five prior year findings remain outstanding, the agencies have made progress toward addressing the recommendations.

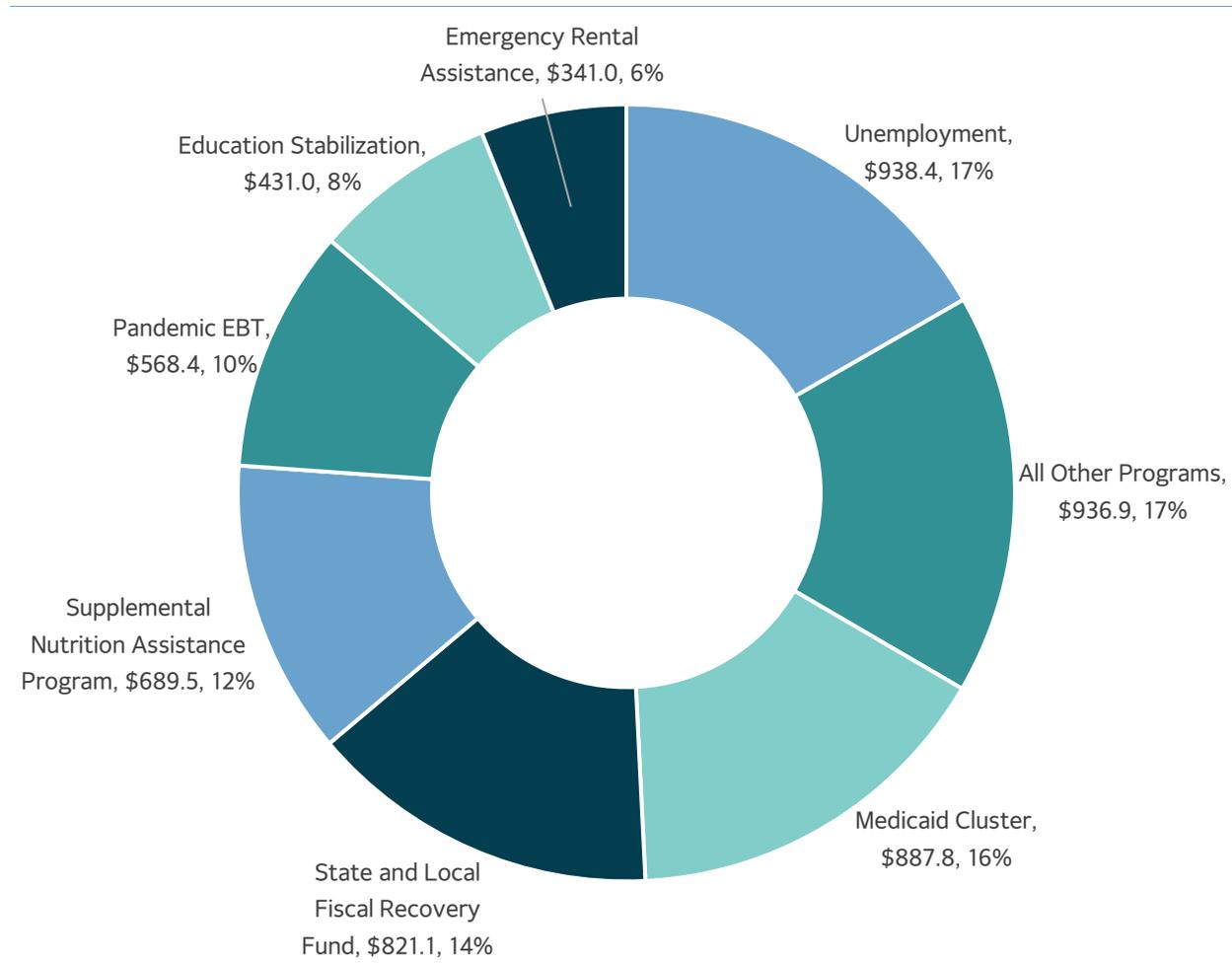
Figure 4: Fiscal year 2022 saw a much higher rate of corrections compared to previous years

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total prior year findings reviewed	19	20	16	17	15
Prior year findings, not resolved	14	13	7	7	5
Prior year findings, corrected	5	7	9	10	10
Rate of corrections	26%	35%	56%	59%	67%

Statewide Single Audit

Oregon receives federal dollars annually through grant agreements with federal agencies; in fiscal year 2022, this totaled \$21 billion. These grants are awarded to state agencies for programs that provide various services, including public health and safety, agricultural research, and homeland security. Agencies receiving the funds are required to comply with various federal requirements for the administration of the programs. The wave of COVID-19 funding to assist with the response to the global pandemic continued in fiscal year 2022 — \$5.6 billion, or 27% of the federal dollars expended in fiscal year 2022, were the result of COVID-19 legislation. Figure 5 identifies the largest programs in fiscal year 2022 receiving COVID-related funding.

Figure 5: Seven programs expended over 83% of fiscal year 2022 COVID-19 funding



The Oregon Audits Division issues the Single Audit Report, which includes a schedule prepared by the Department of Administrative Services of all federal funds spent by the state for the year. The report also includes audit findings from the annual financial audit and the federal compliance audits. Agency management provide responses on whether they agree with each finding and what actions they plan to take to correct the underlying issues. In addition, the report presents the status of findings for the prior two years and any action agency management has taken to correct the findings.

The federal government uses the annual Single Audit Report to monitor how well its programs are administered and to follow up on any findings. Federal granting agencies follow up on audit findings to enforce compliance and determine whether questioned costs need to be repaid or if sanctions will be imposed.

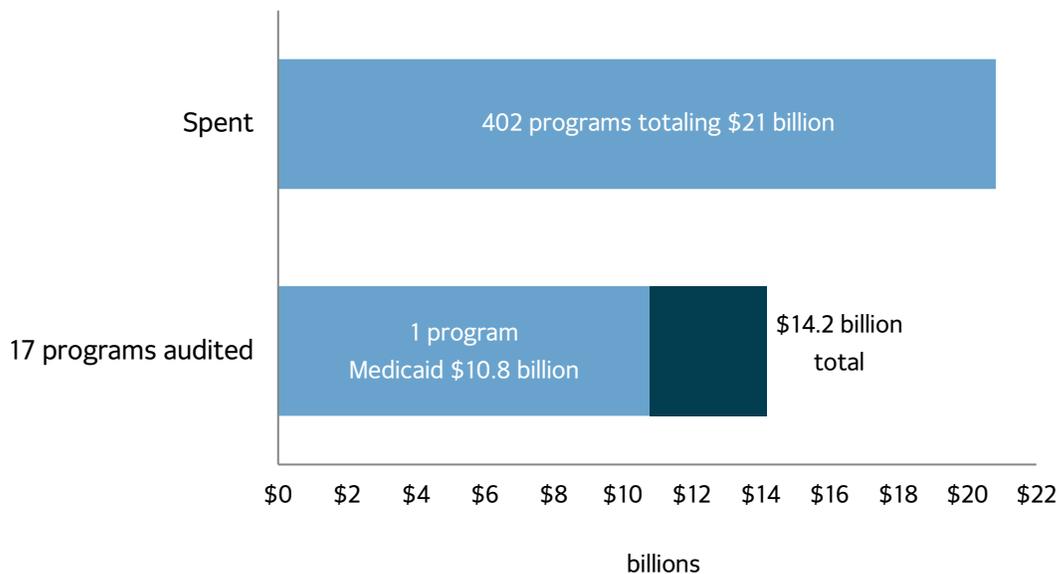
The federal Office of Management and Budget (OMB) develops nationwide policy for performing federal compliance audits. OMB provides rigid instructions for determining which programs to audit and the specific audit procedures to perform to ensure the state is complying with federal requirements when administering the programs. The federal government uses the annual Single Audit Report to monitor how well its programs are administered and to follow up on any findings. Federal granting agencies follow up on audit findings to enforce compliance and determine whether questioned costs need to be repaid or if sanctions will be imposed.

Fiscal year 2022 federal expenditures

In fiscal year 2022, the State of Oregon spent \$21 billion in federal funds across 402 federal programs administered by 40 state agencies. Adhering to OMB requirements to select programs based on expenditures and risk, we audited 17 major programs for compliance with federal requirements.

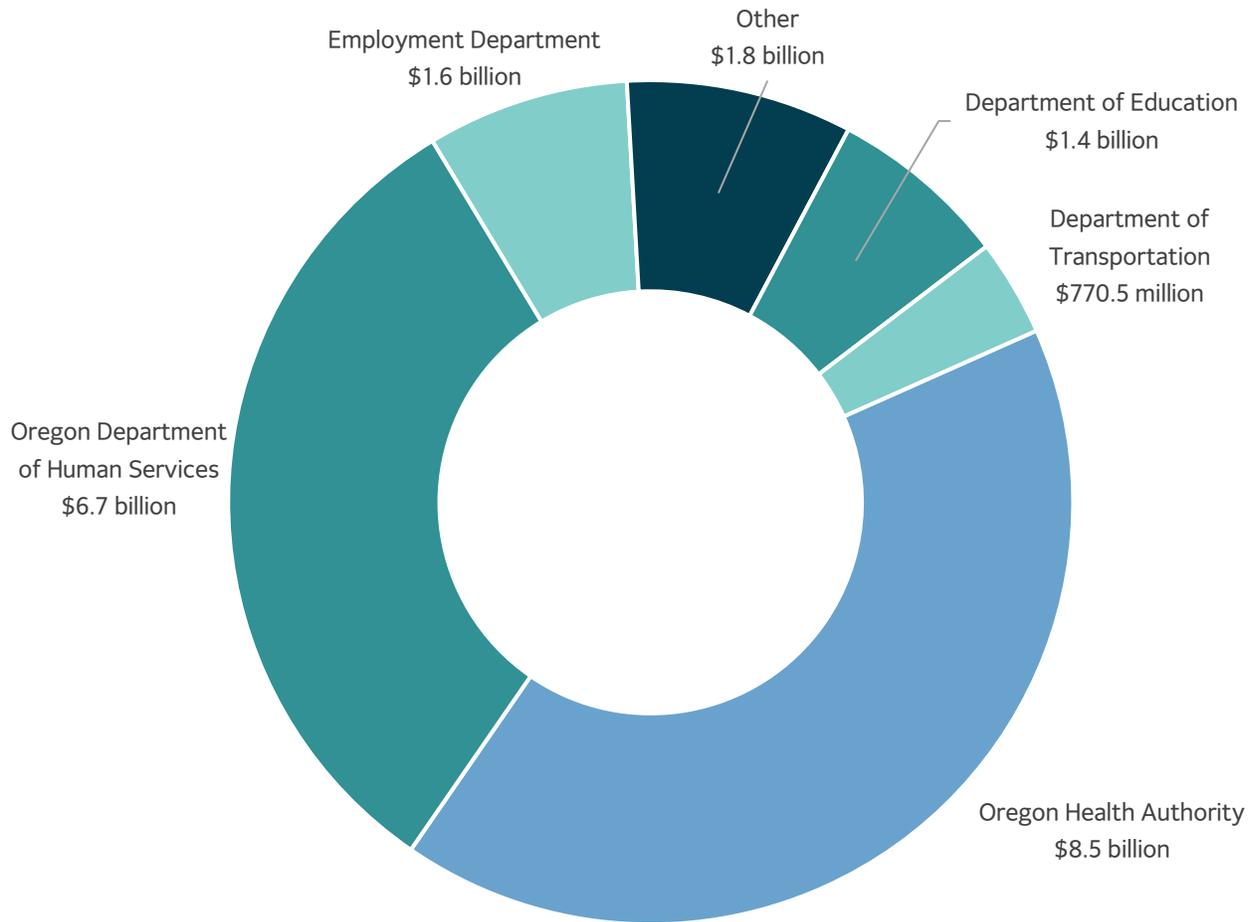
As shown in Figure 6, the audited programs accounted for \$14.2 billion, or 68%, of the \$21 billion spent in fiscal year 2022. Medicaid is the single largest program; it alone accounts for \$10.8 billion in federal funds spent by the state.

Figure 6: We audited 68% of fiscal year 2022 single audit expenditures (in billions)



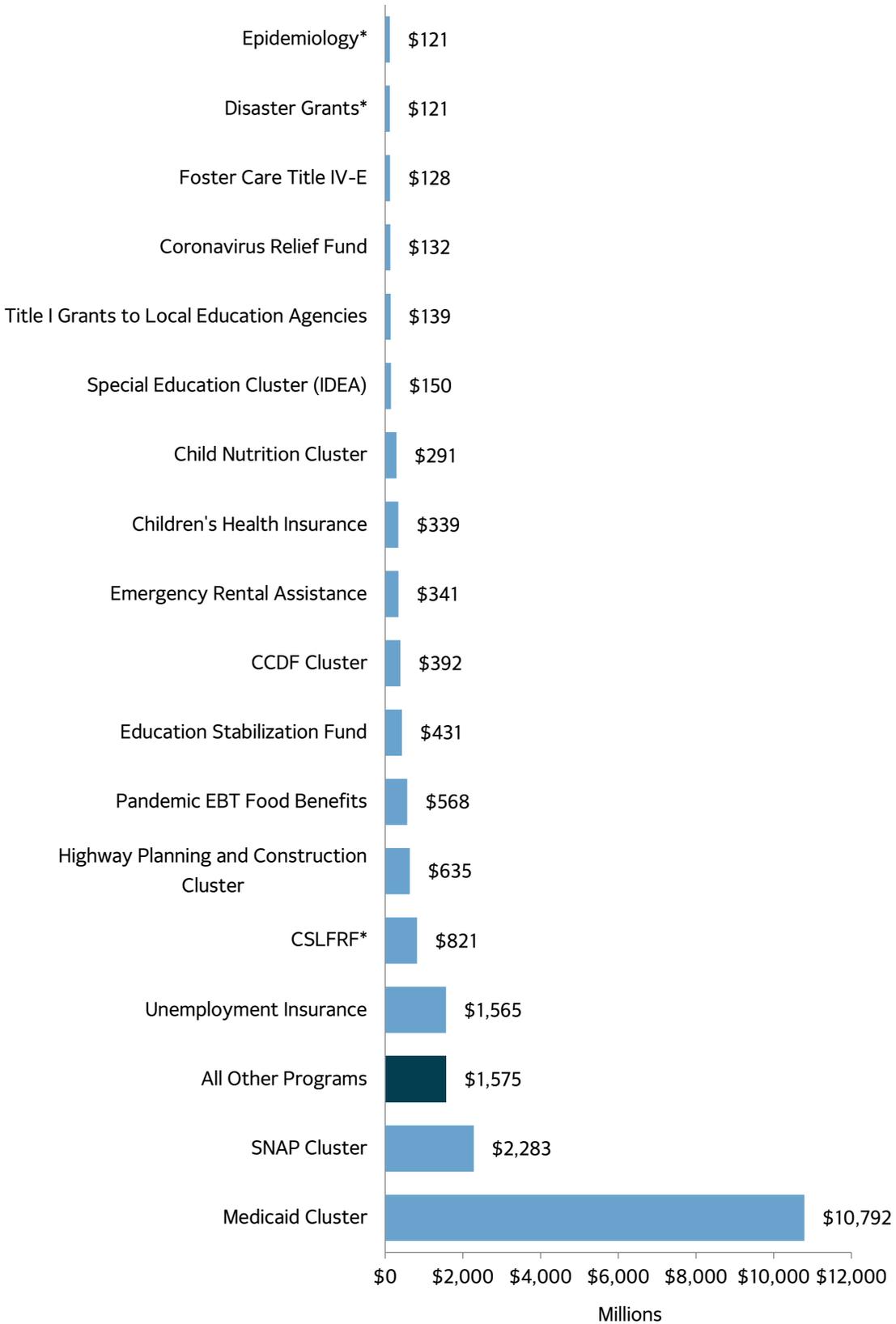
As shown in Figure 7, the Oregon Health Authority and the Oregon Department of Human Services accounted for \$15.2 billion, or 73%, of the state’s federal expenditures. The Medicaid program accounts for 89% of the Oregon Health Authority’s federal expenditures and 47% of the Oregon Department of Human Services’ federal expenditures. The Oregon Department of Human Services administers other large federal programs, including Supplemental Nutrition Assistance, commonly known as food stamps, Temporary Assistance for Needy Families, and Foster Care.

Figure 7: ODHS and OHA account for 73% of federal expenditures by state agencies, fiscal year 2022



Of the 402 federal programs administered by the State of Oregon in fiscal year 2022, 17 programs account for 92% of the state’s total federal expenditures. The Medicaid program is by far the largest public assistance program administered by the state, as depicted in Figure 8. The “All Other Programs” category combines the other 385 federal programs, each with expenditures less than \$100 million.

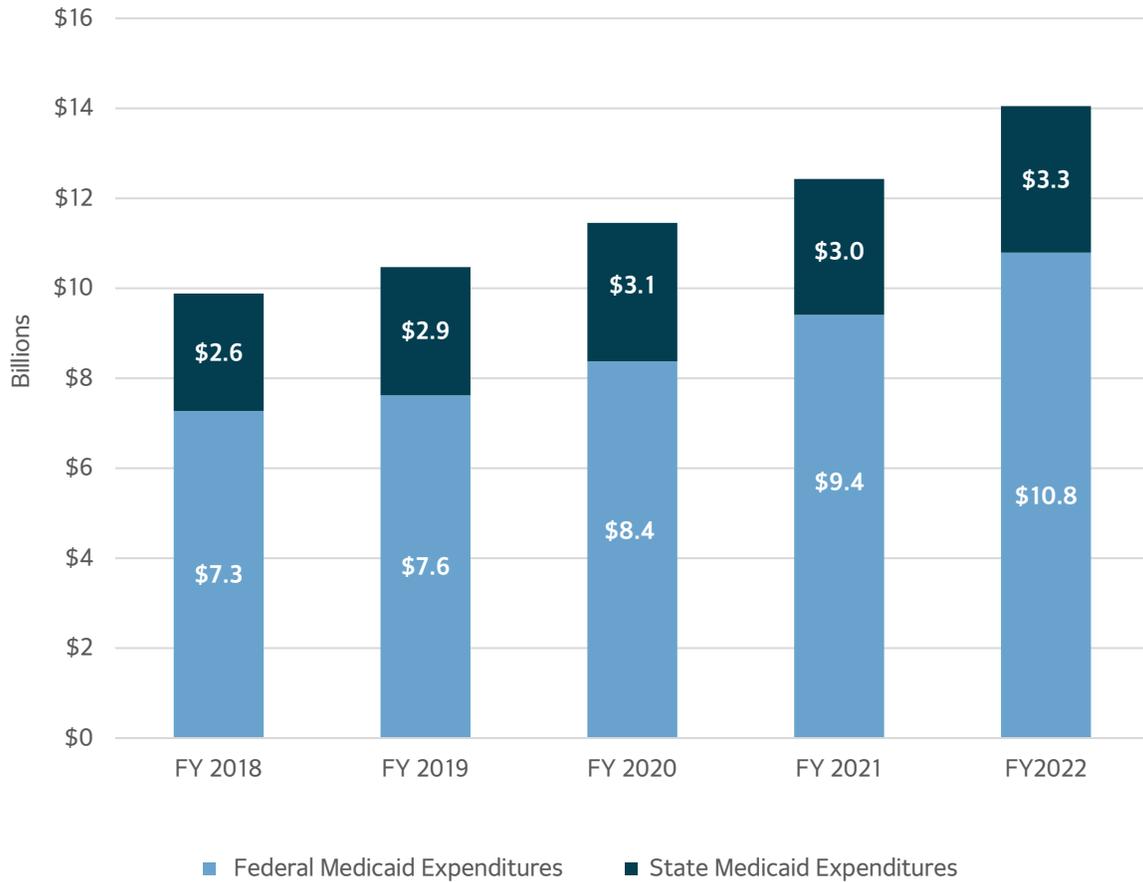
Figure 8: Medicaid, SNAP, and Unemployment Insurance expenditures far exceed expenditures of other programs, fiscal year 2022 (in millions)



* Note: Full titles are: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), Disaster Grants - Public Assistance (Presidentially Declared Disasters), and Coronavirus State and Local Fiscal Recovery Funds

The Medicaid program provides health insurance coverage to low-income families. The cost to provide this coverage generally grows every year. Figure 9 shows Oregon’s Medicaid costs, both federal and state, for the past five years.

Figure 9: Total Medicaid expenditures increase each year



Housing programs in Oregon are administered by Oregon Housing and Community Services. The pandemic resulted in thousands of lost jobs and economic instability, increasing the demand for affordable housing. A reduced workforce, supply shortages, and safety protocols impaired the state’s ability to increase the affordable housing inventory. Recovery legislation at the federal level resulted in a significant influx of funding directed at Oregon Housing and Community Services from multiple COVID-19 programs, including Emergency Rental Assistance, Emergency Solutions Grants, and the Coronavirus State and Local Fiscal Recovery Funds.

As shown in Figure 10, federal funding for the agency skyrocketed from fiscal year 2020 to 2022. The increase is largely attributed to pandemic funding sources.¹

¹ The Oregon Audits Division will be issuing a report in 2023 examining oversight of the Emergency Rental Assistance Program.

Figure 10: Oregon Housing and Community Services experienced a surge of pandemic funding, fiscal years 2020 to 2022 (in millions)



Fiscal year 2022 Statewide Single Audit results

As shown in Figure 11, we audited 17 federal programs administered by the State of Oregon (some programs across multiple agencies). In addition to Medicaid, which is required to be audited every year, the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), the Education Stabilization Fund (ESF), and Emergency Rental Assistance (ERA) were considered high-risk by the federal government and required to be audited this year.

We audited seven programs at Oregon Department of Human Services, six programs at Oregon Health Authority, four programs at Oregon Housing and Community Services, as well as programs at the Oregon Department of Education, Oregon Department of Corrections, Oregon Department of Transportation, and the Higher Education Coordinating Commission. OMB Uniform Guidance requires these audits.

We reported 50 findings to six of these agencies with recommendations to improve controls over compliance with the key federal requirements relevant to each program. Similar to our audit of the annual financial report, the type of control finding we report depends on the degree of control weakness and generally falls into one of two categories: a significant deficiency or a material weakness in controls over compliance.

In addition to the findings, we questioned whether Oregon’s spending of \$35,236,377 in federal funds was appropriate under federal program rules. “Questioned costs” is a term OMB requires when reporting findings. When we question costs, we are identifying program costs that may, or may not, be allowed to be paid for with federal funds. The federal funding agency reviews our findings and determines whether the costs are appropriate and federally reimbursable.

Figure 11: We audited 17 programs expending \$14.2 billion in federal funds for fiscal year 2022

Federal Program	2022 Findings	Federal Program Expenditures
Medicaid Cluster	4	\$ 10,791,893,892
Coronavirus State and Local Fiscal Recovery Funds (SLFRF)	1	821,066,498
Highway Planning and Construction Cluster	2	634,606,478
Pandemic EBT Food Benefits (P-EBT)	1	568,371,920
Education Stabilization Fund (ESF)	3	430,993,443
Emergency Rental Assistance (ERA)	6	341,001,099
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	5	120,518,861
Temporary Assistance for Needy Families	6	94,030,779
Immunization Cooperative Agreements	3	85,832,059
Low-Income Home Energy Assistance (LIHEAP)	3	69,516,809
Adoption Assistance	0	54,868,805
Emergency Solutions Grant (ESG)	7	36,758,183
Workforce Innovation and Opportunity Act Cluster (WIA/WIOA)	3	35,496,616
Disability Insurance/SSI Cluster	0	30,049,681
Social Services Block Grant	1	25,631,944
Block Grants for Prevention and Treatment of Substance Abuse (SABG)	5	27,469,090
Block Grants for Community Mental Health Services (MHBG)	5	15,290,215
	55	\$ 14,183,396

Two findings for non-major program (Opioid STR [State Targeted Response]) are not included in this chart. One ELC finding is shared with Immunization and counted twice. Three SABG findings are shared with MHBG and were counted twice. One other SABG finding is shared with MHBG, ELC, and Immunization and is counted four times.

This year, we questioned \$9.1 million in directly identifiable costs and another \$26.1 million in projected (likely) errors based on our sample testing. Figure 12 shows the amount of known and likely questioned costs we identified by program and state agency.

The Pandemic EBT program at the Oregon Department of Human Services had the largest amount of questioned costs, with \$17.2 million in known and likely errors. These questioned costs were due to noncompliance with a requirement called “activities allowed or unallowed” — namely, ensuring benefits were paid at the appropriate level.

The Emergency Rental Assistance program at Oregon Housing and Community Services also had significant known and likely questioned costs totaling \$11.2 million. These costs were related to lack of documentation to ensure benefits passed through to subrecipients were only paid to eligible beneficiaries and for allowable activities. Seven other programs had known and likely questioned costs totaling nearly \$7 million.

Figure 12: The majority of likely questioned costs were for the Pandemic EBT and Emergency Rental Assistance programs

State Agency	Federal Program Expenditures	Questioned Costs
Oregon Department of Human Services		
Pandemic EBT	\$ 568,371,920	\$ 17,246,881
Social Services Block Grant (SSBG)	25,631,944	1,308,457
Temporary Assistance for Needy Families (TANF)	94,030,779	933,616
Oregon Housing and Community Services		
Emergency Rental Assistance (ERA)	341,001,099	11,210,437
Emergency Solutions Grant	36,758,183	245,362
Oregon Health Authority		
Epidemiology and Laboratory Capacity	120,518,861	1,017,603
Immunization Cooperative Agreements	85,832,059	36,783
Block Grants for Prevention and Treatment of Substance Abuse	15,481,475	2,793,693
Oregon Health Authority/ Oregon Department of Human Services		
Medicaid Cluster	10,791,893,892	396,022
Higher Education Coordinating Commission		
Workforce Innovation and Opportunity Act Cluster (WIOA)	35,496,616	47,523
Total	\$ 12,115,016,828	\$ 35,236,377

Program opinions

When the results of an audit determine the agency has sufficient controls to administer the program and the program is generally in compliance with federal requirements, we issue an unmodified opinion. An unmodified, or “clean,” opinion means there are no “qualifications” (concerns) that would cause us to alter our opinion. Modified opinions include the following:

- Qualified: internal controls are inadequate to prevent or detect significant noncompliance.
- Adverse: pervasive weaknesses in a program’s internal controls such that it will not prevent or detect significant noncompliance.
- Disclaimer: lack of sufficient, appropriate audit evidence to support an opinion on program compliance.

For fiscal year 2022, we issued modified opinions for the agencies and programs shown in Figure 13. The Temporary Assistance for Needy Families program has been issued a qualified opinion for the last five years. Additionally, the Low-Income Home Energy Assistance Program has been issued a qualified opinion two years in a row.

Figure 13: Disclaimer, Adverse, and Qualified Opinions issued in fiscal year 2022

Agency	Program	Opinion
Oregon Housing and Community Services	Emergency Solutions Grant Program	Disclaimer
	Emergency Rental Assistance Program	Adverse
	Coronavirus State and Local Fiscal Recovery Fund	Qualified
	Low-Income Home Energy Assistance Program	Qualified
Department of Human Services	Temporary Assistance for Needy Families	Qualified
Oregon Health Authority	Block Grants for Community Mental Health Services	Qualified
	Block Grants for Prevention and Treatment of Substance Abuse	Qualified

History of Statewide Single Audit findings

The OMB establishes categories of compliance requirements and the federal awarding agencies determine which categories are key for their programs. Not all requirements apply to every program and some requirements are more complex than others. Figure 14 illustrates compliance requirements with findings for the past five years. Totals by category indicate which requirements are most problematic for Oregon.

Figure 14: Findings history by type of compliance requirement

Compliance requirement	2018	2019	2020	2021	2022
Allowable Activities and Costs	8+	5+	6+	4+	16+
Cash Management					2
Eligibility	5+	2	5+		3+
Equipment			1	1	1
Matching, LOE, Earmarking	5	1	2+	4+	3
Period of Performance		1	2	1	2
Procurement and Suspension and Debarment		1			2
Reporting	3	3	5	7	9
Subrecipient Monitoring	5	1	2	5+	6
Special Tests	3	3	5+	7	6
Total findings	29	17	28	29	50

Note: Plus sign indicates multiple compliance requirements appear in one finding, but are only counted once in this display.

The OMB requires auditors to perform follow-up procedures in the following year to determine whether an agency has taken appropriate corrective action to resolve the findings. We followed up on the status of 54 federal compliance findings that remained uncorrected from prior years and found agencies had corrected 28 of them; however, 26 prior year findings will continue into fiscal year 2023 because they remain uncorrected. In addition, 15 of the 17 programs audited for fiscal year 2022 have findings that will require follow-up or full audits in 2023.

Some findings remain uncorrected from one year to the next because agencies do not correct the underlying issues causing the noncompliance or control weaknesses. While some findings take time and resources to correct, others may remain simply because management does not make it a priority to address them.

Figure 15 displays a history of ongoing findings by agency, program, and nature of the findings that continue to be uncorrected at the end of fiscal year 2022 and have been ongoing for at least four years. When a finding is uncorrected, we are required to continue auditing the requirement until it is resolved. One program, Medicaid, had an ongoing finding related to client eligibility corrected in fiscal year 2022.

Figure 15: History of ongoing findings

Agency	Program	Finding Summary	Origination Year	Years Ongoing
ODHS	Temporary Assistance for Needy Families	Accurate reports	2010	13
ODHS/OHA	Medicaid	Provider eligibility	2012	11
ODHS	Child Care and Development Fund	Incorrect copays	2014	9
ODFW	Fish & Wildlife Cluster	Monitoring real property	2017	6
ODHS	Temporary Assistance for Needy Families	Accurate report calculations	2019	4
OHA	Opioid STR	Subrecipient monitoring	2019	4
OHA	Opioid STR	Report review	2019	4
ODHS/OHA	Medicaid	Return questioned costs	2019	4

ODHS – Oregon Department of Human Services; OHA – Oregon Health Authority; ODFW – Oregon Department of Fish & Wildlife

The TANF program has an unresolved audit finding originating in fiscal year 2010. Auditors found TANF data reports required to be submitted to the federal agency do not accurately reflect case status and activity of the reporting period. Since the implementation of a new system, reporting errors have increased, but agency management has made efforts to resolve system errors to ensure proper reporting from the new system in the future.

Medicaid’s provider eligibility finding, originating in 2012, includes providers that were not re-validated or their eligibility determination was not fully supported with required documentation. Progress has been made with the implementation of updated applications, procedures, and policies.

The Child Care and Development Fund finding, originating in 2014, has repeatedly identified errors in copay amounts and authorized child care hours. The errors primarily resulted from human error when entering information for the calculations. After implementation of a new system, the amounts are calculated automatically, but errors have still been identified due to incorrect inputs.

Since identified in 2017, Oregon Department of Fish and Wildlife has made progress toward implementation of a system to monitor their land holdings, including installing software to track inventory, adding data based on historical records, and updating related policies and procedures.

It is the responsibility of the federal granting agency to follow up with state agencies on findings included in the Single Audit Report. After investigating, the federal agency issues a determination letter to the state agency, providing its conclusion about the finding and the corrective action the state agency plans to take to resolve the finding. Generally, the determination letters uphold our findings, reinforce our recommendations, and request action from the state agency. Sometimes the federal agency imposes a sanction upon the state or adjusts future funding to correct the issue. Occasionally, the federal agency will clarify a requirement in favor of the state agency and the finding is no longer valid. Only federal agencies have the authority to enforce their grant requirements.

Glossary of Terms

Adverse Opinion: The type of audit opinion given when audit procedures identify pervasive weaknesses in a department or program's internal controls such that it will not prevent or detect significant noncompliance or financial material misstatements.

Asset: A resource with economic value that the government owns or controls with the expectation it will provide future benefit.

Annual Financial Report: The government entity's official annual report that includes financial statements designed to report the financial position and results of operations of the primary government (including its blended component units) and provide an overview of the discretely presented component units.

Determination Letter: Letter written by the federal awarding agency in response to single audit findings. This letter provides their conclusions about the findings and the actions the state agency plans to take to resolve the findings.

Disclaimer of Opinion: The type of audit opinion given when audit procedures result in a lack of sufficient, appropriate audit evidence to support an opinion on financial statements or program compliance.

Error: A mistake in an accounting entry that was not intentional.

Expenditure: Designates the cost of goods delivered or services rendered, whether paid or unpaid.

Federal Expenditure: Charges made by a non-Federal entity to a project or program for which a Federal award was received.

Generally Accepted Accounting Principles (GAAP): A combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information.

Government Auditing Standards: The professional standards and guidance issued by the Comptroller General of the United States that provide the framework for conducting high quality audits of governmental entities.

Internal Controls: Methods put in place by management to ensure the integrity of financial and accounting information and regulatory compliance.

Liability: Legal debts or obligations between one party and another not yet completed or paid for, defined by previous business transactions, events, sales, exchange of assets or services, or anything that would provide economic benefit at a later date.

Material: The auditor's determination of materiality is a matter of professional judgment. It is affected by the auditor's perception of the needs of the users of the financial statements, or in the case of a federal compliance audit, on the needs of the users of the report on compliance with a federal program. Judgments about materiality involve both qualitative and quantitative considerations.

Qualified Opinion: The type of audit opinion given when audit procedures identify a department or program's internal controls are inadequate to prevent or detect significant noncompliance or financial material misstatements.

Questioned Cost: A cost questioned by the auditor for violation of federal award provisions, or lack of supporting documentation, or because the cost appears unreasonable.

Revenue: Income received or earned during a specific period.

Statement of Activities: Required basic financial statement that shows the financial results of the year's activities. The statement of activities presents revenues less expenditures to show net position.

Statement of Net Position: Required basic financial statement that shows the balance of the assets, liabilities, deferrals, and net position at June 30.

Subrecipient: An entity that receives federal funds from the state to carry out a federal program.

Unmodified Opinion: The type of audit opinion given when the financial statements, as corrected, are fairly presented in conformance with GAAP.

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 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.

Copies may be obtained from:

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