



Summer 2010

News from Secretary of State Audits Division



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I just completed my first year with the Audits Division and the time has passed quickly because we have all been very busy.

We developed a strategic plan for the Audits Division as part of the Secretary of State's Strategic Plan. We have been following through on several change initiatives on that plan. For example, to better inform the public, we changed the look and approach of our performance audits - adding more background information, focusing on agency missions more, as well as a new layout for the reports.

I spent some time learning about the Division and state government and providing some training on performance auditing to everyone in the office, as well as internal auditors from other agencies. We also began gathering audit ideas from many sources to help us select the most important topics that anticipate needs and problems, so our audits can produce information that is more timely for decision-makers.

Secretary of State Kate Brown believes that the recently de-funded Oregon Benchmarks need to be preserved and she raised some private funds to enable us to contract for the updating of the data through the remainder of the biennium. Though maintaining the Benchmarks is a new responsibility of the Audits Division, many organizations look to the Benchmarks to track conditions in Oregon. Therefore, keeping the data fresh serves an important purpose.

One particular challenge for our financial auditors are the extra audit requirements tied to funding from the American Recovery and Reinvestment Act (ARRA). The number of federally-funded programs needing audits doubled from about 15 to 30. And we still managed to make all the deadlines on our statewide audit and federal compliance audits. I am continually amazed at the detailed choreography our teams perform to get all the tasks done. They are dedicated, talented, and truly amazing.

We were pleased when we successfully passed an outside review to determine whether we complied with the *Government Auditing Standards* in conducting our work. The office has maintained this level of professionalism for the past 20 years. That says much about the quality of the folks in this office. It has been a very fulfilling year for all of us, and we look forward to making a real difference in Oregon government.

Why you should care about the State's CAFR and Single Audit. Hint: They are really important.

In December 2009, the Department of Administrative Services (DAS) issued the State's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009, and in March 2010 the Statewide Single Audit Report was issued. These reports are part of the required statewide reporting to the federal government, and are required for the state to receive approximately \$8 billion in federal funding each year.

In auditing the state's CAFR, auditors performed audit procedures at 23 separate state agencies. We issued an unqualified (clean) audit opinion for the CAFR. Having an unqualified opinion is a positive reflection on the Statewide Accounting and Reporting Services section of DAS and the accounting staff of each state agency. It is also beneficial for the state's bond rating.

The Statewide Single Audit Report contains the Schedule of Expenditures of Federal Awards, which shows federal funds spent for each federal program administered by the state in fiscal year 2009. Federal law prescribes what federal programs are to be audited to ensure compliance with various federal requirements. For fiscal year 2009, the Audits Division audited 15 separate federal programs and contracted with independent audit firms to audit an additional 14 programs, for a total of 29 programs at 12 agencies.

The Statewide Single Audit Report also contains the Schedule of Findings and Questioned Costs. This section of the report describes the audit findings identified during the audit of the CAFR and the audits of the federal programs, as well as agencies' responses to those findings.

The Audits Division would like to thank agency staff and management for their assistance. The audit and issuance of the CAFR and Statewide Single Audit Report help to ensure that state government is accountable to the taxpayers and is able to offer continued services to the citizens of Oregon.

For more information about the CAFR and/or Statewide Single Audit Report, please see the audit on page 3.



The Astoria-Megler Bridge, as seen from Coxcomb Hill. Photo courtesy Gary Halvorson, Oregon State Archives

Performance Audit and Hotline Highlights

Since the Fall 2009 Newsletter, we have issued the following performance and fraud audit reports:

- ◆ [Department of Revenue: Strategies for Increasing Personal Income Tax Compliance and Revenue Collections](#), Report No. 2010-20, Date: April 12, 2010 – State auditors identified nearly 70,000 Oregonians that did not file 2007 tax returns and recommended ways the department could increase income tax collections with comprehensive new practices, including comparing state filer data with other sources, increasing the use of private collection firms and closer monitoring of collection efforts.
- ◆ [Klamath Falls City Schools: Public Contracting](#), Management Letter No. 2010-04-01, Date: April 22, 2010 – State auditors determined the district did not fully comply with public contracting rules when procuring certain structural engineering services for work at district buildings.
- ◆ [Department of Human Services: Purchase Card Controls](#), Management Letter No. 100-2010-03-02, Date: March 17, 2010 – State auditors found the department did not consistently follow required purchase card controls. In addition, auditors identified concerns with the department's administration of stored value cards.
- ◆ [State Purchase Cards: Agencies Should Explore Opportunities to Earn Rebates](#), Report No. 2010-12, Date: February 1, 2010 – State auditors calculated that, over a six-year period, the state missed about \$750,000 because most agencies did not make payments within the specified timeframe.
- ◆ [Oregon Department of Education: Willamette Education Service District Needs To Be Accountable](#), Report No. 2010-11, Date: January 28, 2010 – State auditors identified a wide range of problems at the Willamette ESD, including insufficient controls, weak governance and a lack of transparency. Moreover, poor management and financial practices prevented auditors from determining if school districts received the 90 percent share of district resources that they were due.
- ◆ [Oregon Judicial Department: Ordering Restitution for Victims](#), Report No. 2010-08, Date: January 27, 2010 – State auditors reviewed ninety-nine cases without restitution orders when there appeared to be economic damages suffered by victims. The audit team determined restitution was not ordered primarily because district attorneys did not perform all the steps and victims did not provide all the loss documentation necessary to lead to restitution orders.
- ◆ [Oregon Health & Sciences University: State Funds Resulted in Expanded Research](#), Report No. 2010-04, Date: January 21, 2010 – State auditors found the university's Oregon Opportunity Program successfully met its goals of recruiting leading researchers, expanding research programs and obtaining grants for research.

- ◆ [Baker Valley Soil and Water Conservation District: Opportunities Exist for Improved Project Management](#), Report No. 2010-01, Date: January 4, 2010 – State auditors called for tighter control on contracts in order for the district to comply with applicable public contracting laws and ensure conflicts of interest are appropriately disclosed

IT Audit Highlights

Since the Fall 2009 Newsletter, we have issued the following information technology audit reports:

- ◆ [Department of Administrative Services: State Data Center: Faster Progress Needed on Security Issues](#). Report No. 2010-15, Date: March 2010 – The audit found that the Department of Administrative Services' State Data Center had not resolved security weaknesses identified during previous audits, although there was some progress. Auditors found that the data center's complex shared services governance model, involving multiple agencies, was a significant cause of the delays in resolving security weaknesses.
- ◆ [Oregon Department of Transportation: Driver and Motor Vehicle Services Division: Drivers System Data was Secure but Controls Could be Improved](#). Report No. 2010-16, Date: March 2010 – The audit found that system information is reliable and the system adequately protects personal information. Auditors also concluded that there were adequate controls to manage changes to the system but recommended improvements to correct minor weaknesses. The report also noted some weaknesses in disaster recovery planning and security controls at the State Data Center, where the system is hosted.
- ◆ [Department of Administrative Services: State Data Center Operations Are Stable, But Some Areas Need Improvement](#). Report No. 2010-22, Date: May 2010 – The audit found that Oregon's centralized State Data Center generally provides a stable operating environment for the day-to-day processing of state agency computer applications. However, auditors found that other operational controls needed further attention, such as those related to service level agreements, asset configurations and capacity, and disaster recovery.



The Crooked River flows through rugged country south of Prineville. Photo courtesy Gary Halvorson, Oregon State Archives

Financial Audit Highlights

The financial team has been auditing various agencies for the annual statewide financial audit. Our work for fiscal year 2009, with the cooperation of agency personnel, allowed us to (1) Issue an opinion on the state's financial statements included in the Comprehensive Annual Financial Report prepared by the Department of Administrative Services' Statewide Accounting and Reporting Services, and (2) Issue reports on internal control and federal compliance according to the Single Audit Act Amendments of 1996 and OMB Circular A-133. Since the Fall 2009 newsletter, we have issued the following financial audits:

- ◆ [Department of Environmental Quality: Clean Water State Revolving Fund Loan Program For the Fiscal Year Ended June 30, 2009](#), Report No. 2010-21, Date: April 2010
- ◆ [Oregon Statewide Single Audit: For the Fiscal Year Ended June 30, 2009](#), Report No. 2010-19, Date: March 2010
- ◆ [Board of Massage Therapists: For the Biennium Ended June 30, 2009](#), Report No. 2010-18, **Contract Audit**, Date: March 2010
- ◆ [Department of Energy: Small Scale Energy Loan Program For the Fiscal Years Ended June 30, 2009 and June 30, 2008](#), Report No. 2010-17, Date: March 2010
- ◆ [Oregon Tourism Commission: For the Biennium Ended June 30, 2009](#), Report No. 2010-14, **Contract Audit**, Date: March 2010
- ◆ [Board of Examiners for Engineering and Land Surveying: For the Biennium Ended June 30, 2009](#), Report No. 2010-13, **Contract Audit**, Date: February 2010
- ◆ [Oregon Wine Board: For the Biennium Ended June 30, 2009](#), Report No. 2010-10, **Contract Audit**, Date: January 2010
- ◆ [Appraiser Certification and Licensure Board: For the Biennium Ended June 30, 2009](#), Report No. 2010-09, **Contract Audit**, Date: January 2010
- ◆ [Board of Architect Examiners: For the Biennium Ended June 30, 2009](#), Report No. 2010-07, **Contract Audit**, Date: January 2010
- ◆ [Landscape Contractors Board: For the Biennium Ended June 30, 2009](#), Report No. 2010-06, **Contract Audit**, Date: January 2010

Government Waste Hotline

Do you know of fraud, waste or abuse of state funds or resources? Let us know! Citizens and government employees with concerns about Oregon government waste and inefficiency, including misuse of federal stimulus funds, can anonymously make their thoughts known by calling our Government Waste Hotline at 1-800-336-8218 or by reporting online at <http://fraud.oregon.gov>. For more information and answers to frequently asked questions, please visit the Government Waste Hotline website at <http://www.sos.state.or.us/audits/fraud/index.html>.



State agencies that have experienced a loss of more than \$100 of public funds or property are required by statute (ORS 297.120) to report the loss in writing to the Audits Division. If you need help, please let us know and we can walk you through what you need to do and who you need to contact. Call the Audits Division at 503-986-2351.

New Auditors

The Audits Division would like to welcome the most recent auditors to join our team

- ◆ Clint Fella, MBA, CFE
- ◆ Anna Plumb, MPP
- ◆ Steve Winn, MPP

Welcome!

Want More Information?

Because of space limitations, this newsletter contains only brief descriptions of our audit topics. If you would like more information about a particular audit, about the newsletter, or anything else mentioned here, please contact us at:

audits-outreach@sos.state.or.us



Horses graze in a field along Thomas Creek Road in Lake County. Photo courtesy Gary Halvorson, Oregon State Archives.

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