



OREGON

DEPARTMENT OF AGRICULTURE

WAYS AND MEANS SUBCOMMITTEE
ON NATURAL RESOURCES
FEBRUARY 4, 2019

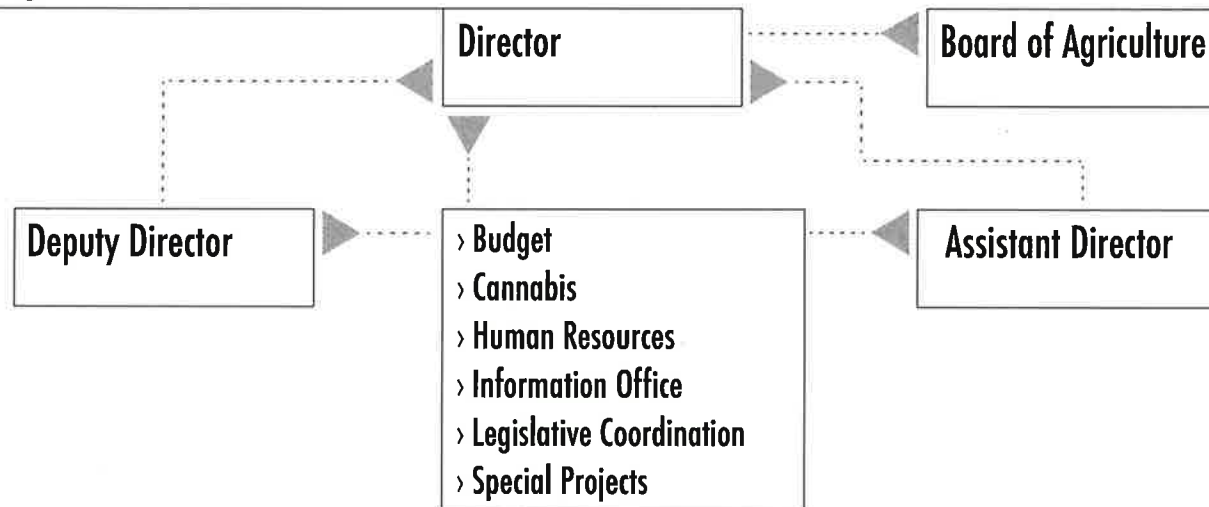
PRESENTED BY
DIRECTOR ALEXIS M. TAYLOR

KEY TAKE-HOME MESSAGES

- Strategic plan focuses on program and service delivery
- ODA structure reflects the diversity of agriculture in Oregon
- Culture of compliance



Agency Organizational Chart

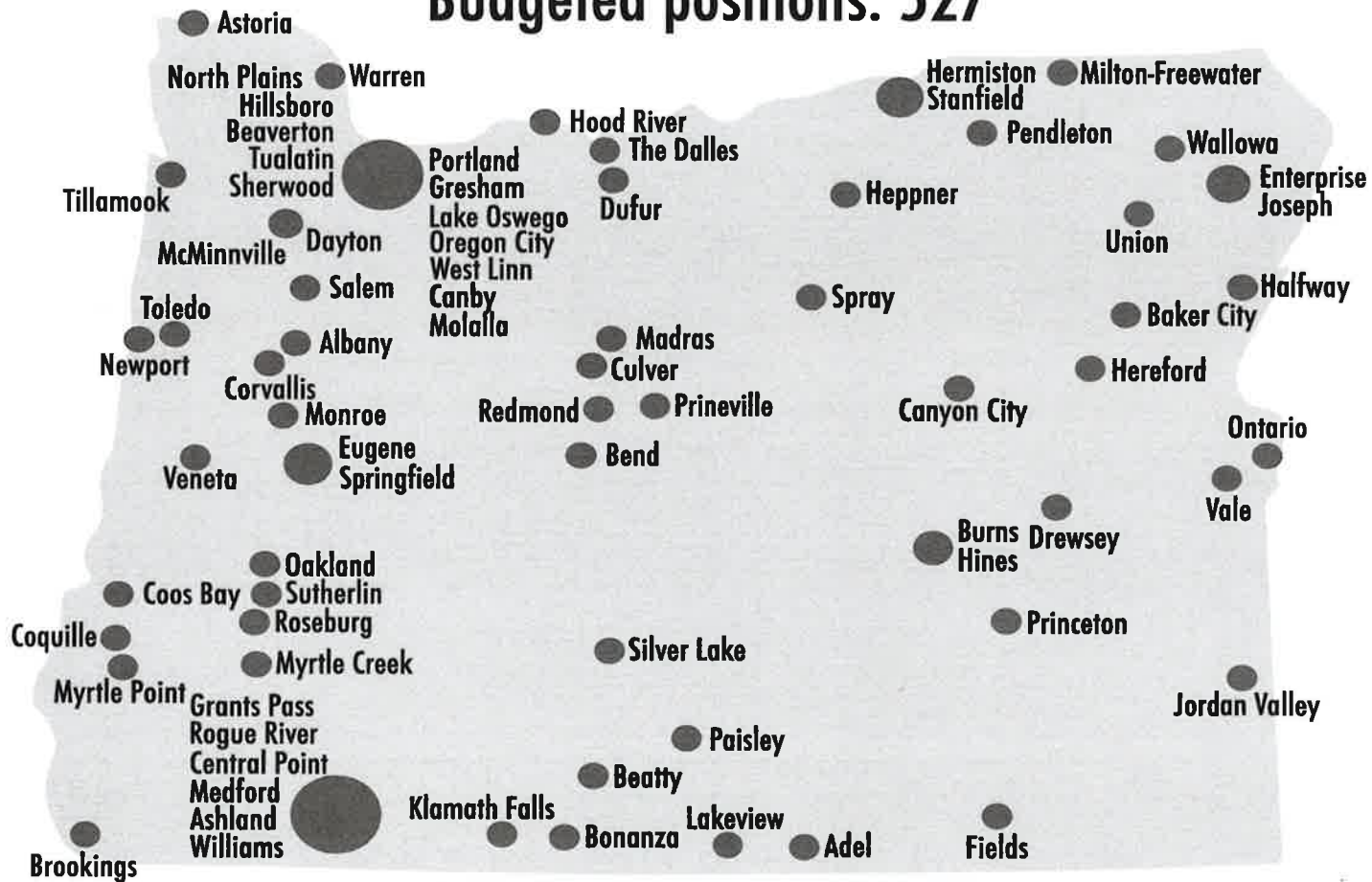


Market Access & Certification Programs	Food Safety & Animal Health Programs	Natural Resource Programs	Plant Protection & Conservation Programs	Internal Service & Consumer Protection Programs
<ul style="list-style-type: none"> > Agricultural Development & Marketing > Certification Services > Commodity Commissions Oversight > Commodity Inspection > Farm to School Program > Plant Health Lab > Seed Program > Shipping Point Inspection > Specialty Crop Block Grant Program 	<ul style="list-style-type: none"> > Animal Health & Lab > Animal Identification > Commercial Animal Feeds > Food Safety > Shellfish Biotoxin Testing > Shellfish Plat Leasing > State Veterinarian 	<ul style="list-style-type: none"> > Agricultural Water Quality > Confined Animal Feeding Operations > GIS Mapping > Land Use > Pesticide Analytical & Response Center > Pesticide & Fertilizer Programs > Smoke Management > Soil & Water Conservation Districts Program 	<ul style="list-style-type: none"> > Industrial Hemp > Insect Pest Prevention & Management > Noxious Weed Program > Nursery & Christmas Tree Program > Nursery Research Grant Program > Native Plant Conservation 	<ul style="list-style-type: none"> > Egg Laying Hens > Laboratory Services > Metrology Lab > Motor Fuel Quality > Weights & Measures > Wolf Compensation

ODA Staff by Location

ODA provides services across the state with field staff based in strategic geographic locations.

Budgeted positions: 527



Note: Larger circles reflect multiple cities in the region, not quantity of employees.

MISSION, VISION, AND CORE VALUES

Mission

Ensure healthy natural resources, environment, and economy for Oregonians now and in the future through inspection and certification, regulation, and promotion of agriculture and food.

Vision

The Oregon Department of Agriculture remains able to serve the changing needs of Oregon's diverse agricultural and food sectors to maintain and enhance a healthy natural resource base and strong economy in rural and urban communities across the state.

Core Values

- Honesty, integrity, and fairness
- Diversity, equity and inclusion
- Respect for people and property
- Practical collaborative approaches to problem solving
- Science-based approaches: technical and professional competence
- Transparency
- Quality customer service

STRATEGIC PLAN KEY OBJECTIVES



OREGON DEPARTMENT OF AGRICULTURE STRATEGIC PLAN OBJECTIVES | 2018-2023



OBJECTIVE 1: ROLE MODEL ORGANIZATION

- Be adaptive
- Achieve operational objectives and goals
- Provide quality work products and services



OBJECTIVE 2: CULTURE OF COMPLIANCE & SUPPORT

- Provide education and outreach with a regulatory backdrop
- Use progressive compliance strategies



OBJECTIVE 3: CULTURE OF COLLABORATION

- Engage interested parties
- Respect all view points
- Develop and grow partnerships



OBJECTIVE 4: FOSTER EMPLOYEE EXCELLENCE

- Integrate mission and values into daily work
- Support an encouraging work atmosphere
- Provide professional growth opportunities



OBJECTIVE 5: EXCELLENCE IN CUSTOMER SERVICE

- Embrace, support, and promote the diversity of Oregon agriculture
- Address customers' needs



OBJECTIVE 6: CONNECT & PROMOTE OREGON AGRICULTURE

- Raise awareness of opportunities within Oregon agriculture
- Connect Oregonians to Oregon agriculture



OBJECTIVE 7: INCLUSIVE COMMUNICATION

- Be clear and concise
- Use effective tools
- Be responsive to customers, consumers, and public

OREGON AGRICULTURE FACTS & FIGURES



 percent of farms are family-owned



39% of Oregon farmers are women

34,200 Oregon farms¹

More than 200 recognized commodities



of all Oregon exports are agricultural




#1 commodity greenhouse & nursery products²

\$351 million organic ag

\$16 billion ag processing

\$50 billion in sales

 13.8% of Oregon jobs are related to agricultural industries



Marion County #1 ag production



\$144.5 million commercial fish landings

More than 100 farmers markets in the state



¹ A farm is defined as any place from which \$7,000 of agricultural products were produced and sold or normally would have been sold.

² Based on 2017 estimate from the Oregon Department of Agriculture.

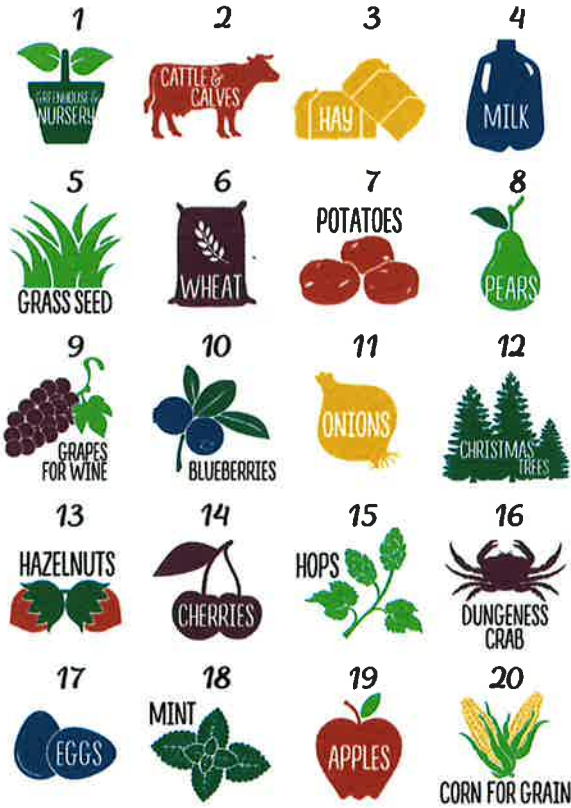
Sources: United States Department of Agriculture (USDA)-NASS Census of Agriculture (2012) and Certified Organic Survey (2016); Oregon Farmers Market Association; Oregon State University Extension Service Rural Studies Program (2015); Oregon Department of Fish and Wildlife Commercial Fish Landings (2017).

OREGON

DEPARTMENT OF AGRICULTURE



Oregon's Top 20 Agricultural Commodities



BASED ON 2017 DATA & ESTIMATES OF VALUE OF PRODUCTION from National Agricultural Statistics Service, Oregon Department of Agriculture, Oregon State University and the Oregon Department of Fish & Wildlife. This is not a ranking compared to other U.S. states. More stats online: <https://oda.direct/AgFactsFigures> www.oregon.gov/ODA - info@oda.state.or.us - Created 8/2018



PROGRAM AREAS





MARKET ACCESS & CERTIFICATION PROGRAM





MARKET ACCESS & CERTIFICATION PROGRAMS

- Increase economic viability of Oregon's agriculture, food and beverage sectors by:
 - Supporting local, domestic, and international business needs of local companies
- Inspect, audit, and certify Oregon agricultural products to meet marketplace expectations



LOCAL MARKET SUPPORT

- Farm to School Program
- Administer USDA grants
 - Specialty Crop Block Grant Program
 - National Organic Cost Share Reimbursement Program
 - Farm Direct Nutrition Program
- Price negotiations: provide a safe harbor for growers/fishermen and dealers/processors
- Women in Agriculture Competition





2019 WOMEN FARM TO FOOD BUSINESS COMPETITION



DOMESTIC MARKET SUPPORT

- Create opportunities through tradeshows:
 - Natural Products Expo West
 - Fancy Foods
- Collaborative promotions:
 - Dungeness crab promotion – Houston, TX
- Assist Oregon companies
 - Machinery and Equipment Certification



INTERNATIONAL MARKET SUPPORT

- Market Access – open foreign markets to Oregon products
- Market Development– promote Oregon products through education and advertising
 - USDA Agricultural Trade Promotion (ATP) program
 - WUSATA
 - Director's Trade Missions

INSPECTIONS, AUDITS, AND CERTIFICATIONS

- Provide voluntary, third-party verification and certification export certificates
- Certificates of free-sale
- Develop and offer official ODA sampling and testing on products to meet market demand

FOOD SAFETY MODERNIZATION ACT (FSMA)

FSMA crosses three ODA Program Areas

- Produce Safety – Market Access and Certification
- Feed Rule – Animal Health
- Preventative Controls – Food Safety



FOOD SAFETY & ANIMAL HEALTH PROGRAM





FOOD SAFETY & ANIMAL HEALTH PROGRAMS

- Assure a safe, and properly labeled food product supply through technical assistance and regulation
- Prevent, control, and eliminate diseases harmful to livestock, poultry, and humans
- Provide livestock identification services
- Regulate sale and distribution of commercial feeds



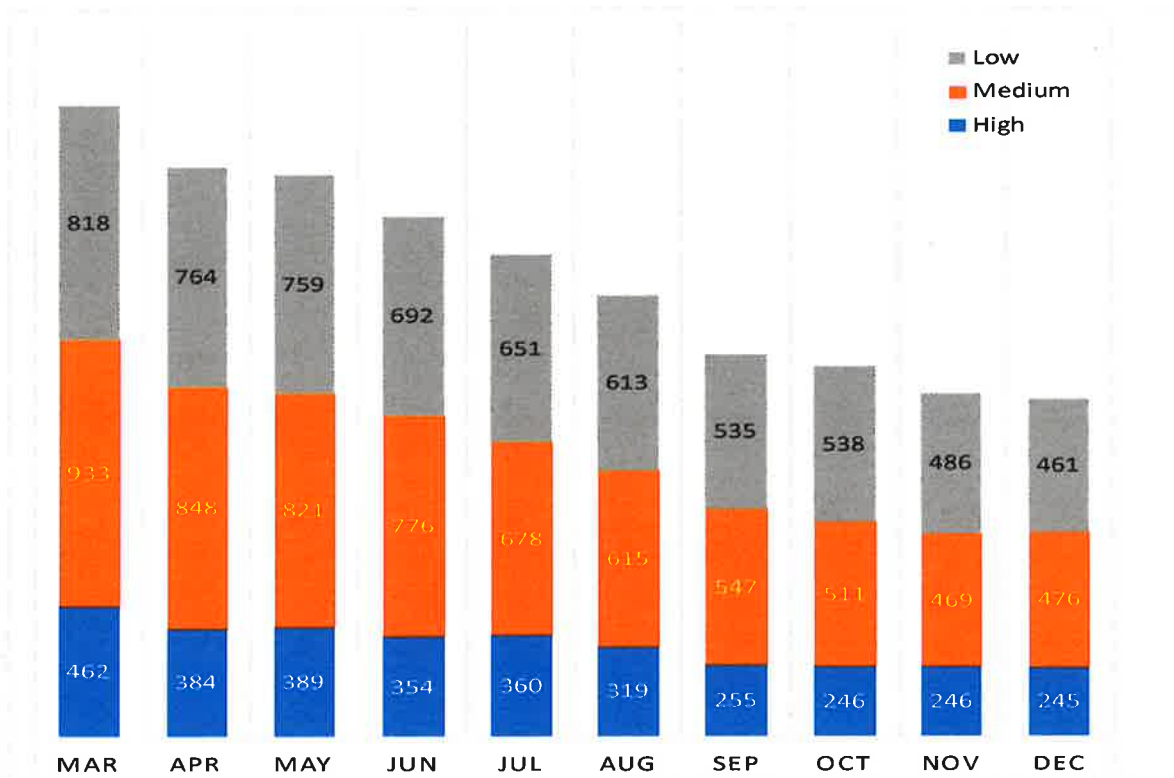
PROTECTING THE FOOD SUPPLY

- Inspect and license food processors and retail food establishments to ensure sanitary conditions
 - “Risk based” inspection program
- Provide technical assistance to start-up food companies to ensure compliance with food safety regulations and guidelines

PROTECTING THE FOOD SUPPLY (CONTINUED)

- Coordinate with the Oregon Health Authority and the FDA to investigate foodborne illness and conduct product recalls
- Operate monitoring and testing programs for dairy products and shellfish to allow for interstate and international shipment

FOOD SAFETY INSPECTION BACKLOG PROGRESS TO DATE





PREVENT, CONTROL AND ELIMINATE ANIMAL DISEASE

- Track interstate health and movement of livestock and to prevent outbreaks in Oregon
- State Veterinarian partners to identify disease risks and strategies to maintain Oregon's disease free status
- Health Laboratory partners to complete diagnostic work
- Oregon Veterinary Emergency Response Team (OVERT)



ODA/OVERT DEPLOYMENT – CAMP FIRE



22 personnel deployed to Butte County, CA

ODA, OVERT, OSU, Washington County, Josephine County,
Jackson County, Oregon Humane Society,
Rogue Valley Humane Society



LIVESTOCK IDENTIFICATION

- Provide livestock identification services
 - Register approximately 11,000 brands
- Inspect over one million cattle at the point of sale
 - Country inspections
 - Livestock auction markets
- Assist law enforcement with theft investigations





COMMERCIAL FEED

- Provide consumer protection
 - License and inspect commercial animal feeds
 - License facilities that manufacture, wholesale, or register commercial animal feeds
 - Investigate possible cases of illness associated with feeds
 - Provide technical assistance regarding the manufacturing, sales and distribution commercial feed
- Participate in national policy animal feed discussions
- Association of American Feed Control Officials



PLANT PROTECTION & CONSERVATION PROGRAMS





PLANT PROTECTION & CONSERVATION PROGRAMS

- Protect agricultural economy and natural resources by preventing the introduction of invasive species (pests, plant diseases, and weeds)
- Early Detection Rapid Response to invasive species
- Implement biological control for established invasive pests
- Promote and enhance agricultural market access due to pest-free status
- Protect threatened and endangered native plants

PREVENT INVASIVE SPECIES

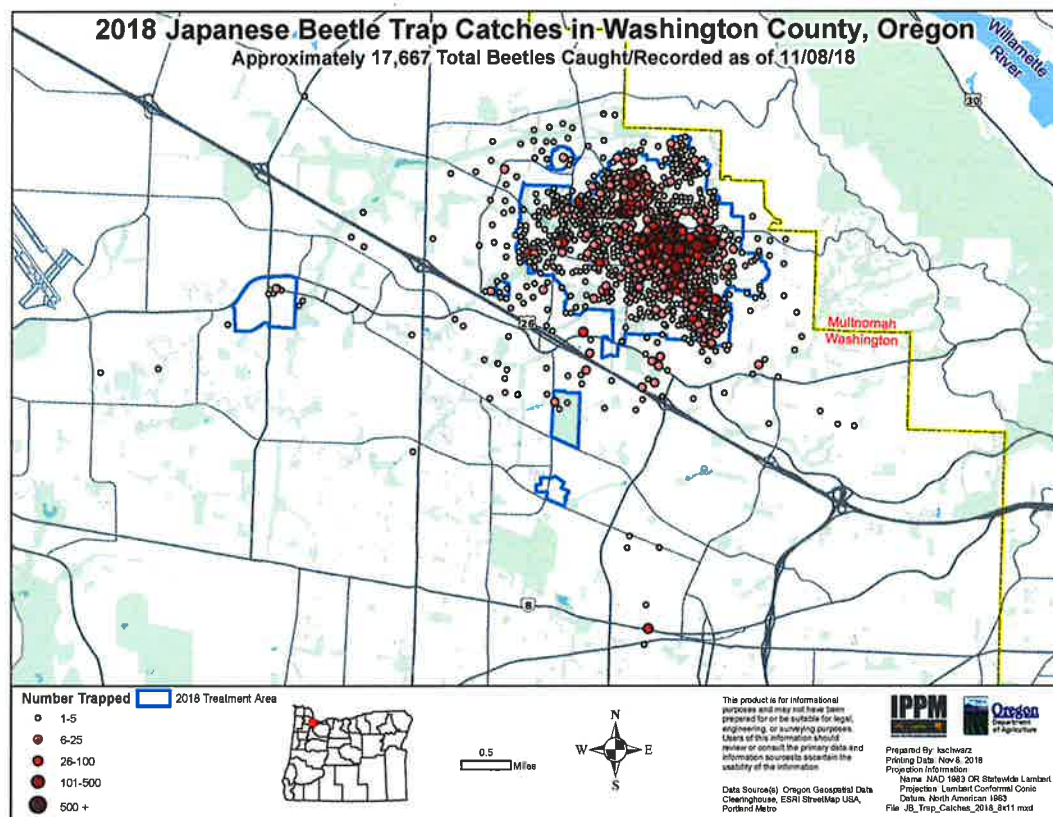
- Adopt and enforce plant protection quarantines
- Focus on early detection to guarantee pest-free status for market access:
 - Installed 28,000 traps with 20 remote controlled photo traps
 - 28 Invasive Pests surveys for 125 target species
 - Implemented 140 Invasive Noxious Weed projects
- Maintain the noxious weed list and “100-Worst List”
 - Helps prioritize statewide noxious weed control activities
- Improve invasive species outreach in collaboration with OISC

JAPANESE BEETLE UPDATE

- Eradicating largest Japanese beetle (JB) infestation in Oregon's 74-year history in NW Portland
- 2017: caught 23,000 JB in 500 acre treatment area
- 2018: caught 17,500 JB in 1,000 acre treatment area
- Oregon is considered Category 1 state due to JB-free status
- Portland treatment costs approximately \$4M and counting



JAPANESE BEETLE TRAP CATCH MAP





CERTIFYING PLANT PRODUCTS AS DISEASE AND PEST FREE

- Help secure domestic and international market access
- New inspection and certification techniques for nursery products and Christmas trees
- Collaborated with and trained Mexican authorities to facilitate Oregon Christmas tree export

PROTECTING RARE PLANTS

- Collaborate with federal and state agencies, other non-federal public land managers, tribes, non-profit organizations, private businesses, and citizens to conserve Oregon's rich native plant diversity
- Develop methods to protect, recover and reintroduce threatened and endangered plants
- Monitor and track threatened plants and factors that limit rare species recovery



HEMP GROWTH IN OREGON

Registration Year	Growers	Handlers	Acres
2015	13	13	105
2016	83	66	1,200
2017	246	189	3,000
2018	584	212	11,754



NATURAL RESOURCE PROGRAMS





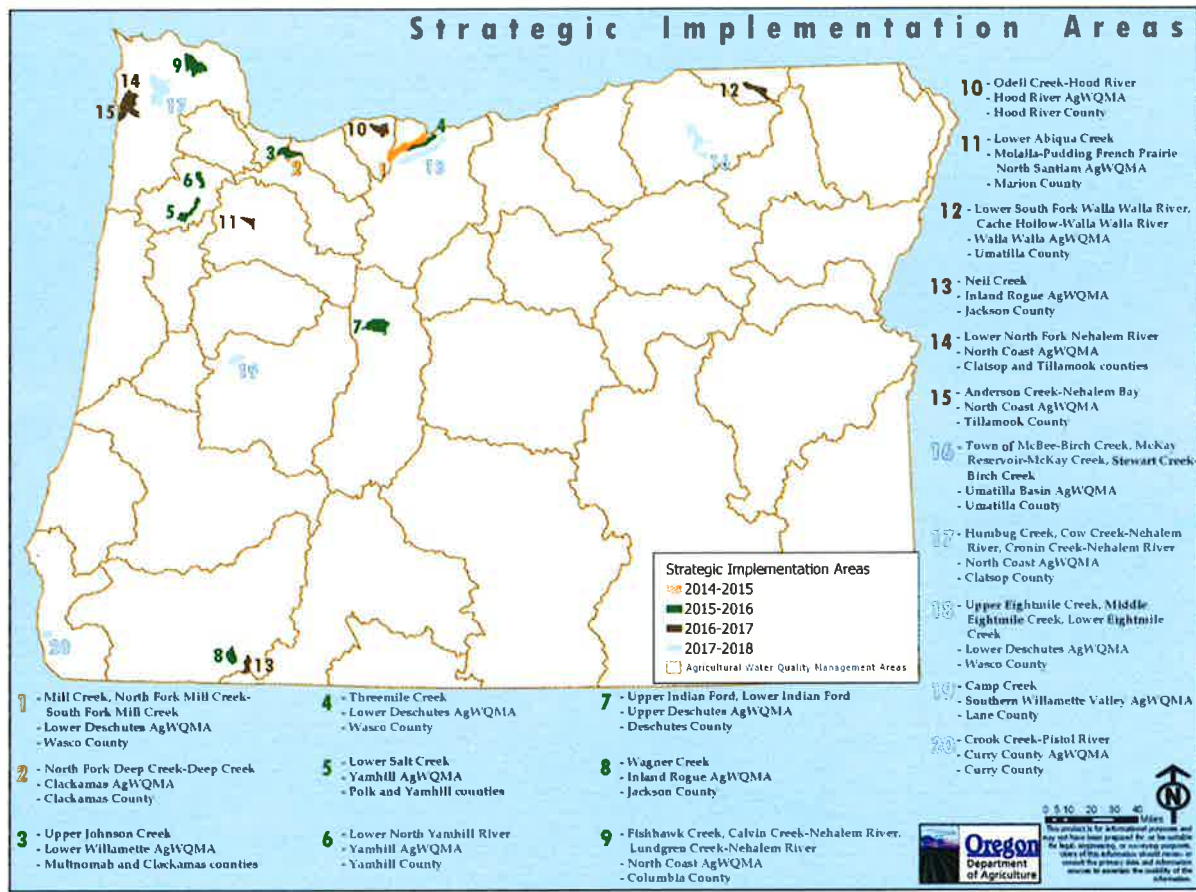
NATURAL RESOURCE PROGRAM

- Prevent pollution from agricultural activities and protect water quality
- Regulate sale, distribution, and use of pesticide and fertilizer products
- Protect Oregon agricultural land use for future generations
- Minimize adverse impacts of agricultural activities on the environment
- Represents needs of agricultural sector for water to allow the industry to remain an economic driver

WATER QUALITY

- Administer Oregon's program to prevent and control nonpoint source pollution from agriculture
- Implement through Strategic Implementation Areas (SIAs) and interagency Coordinated Streamside Management
- Respond to complaints and agency observations
- Coordinate with Soil and Water Conservation Districts
- Water Core Team coordination

STRATEGIC IMPLEMENTATION AREAS



EXAMPLE SIA RESULTS

Mill Creek (Wasco County) – 2013 to 2015

- Total taxlots: 2,032
- Not applicable (Fed Land, Not Ag, Forestry): 1,717
- Taxlots with agriculture assessed: 315

	Pre Evaluation	Post Evaluation
Limited Opportunity for improvement	297 taxlots	315 taxlots
Opportunity for Improvement	6 taxlots	0 taxlots
Violations	4 taxlots	0 taxlots

CONFINED ANIMAL FEEDING OPERATION

- Work with DEQ to develop and issue CAFO permits
- Conduct inspections on permitted animal operations to assess compliance with state water quality regulations



PESTICIDE PROGRAM

- Register and license 13,800 pesticide products
- License 14,000 pesticide applicators, operators, apprentices, consultants, and dealers
- Provide education and outreach to train public and licensed users
- Conduct onsite pesticide investigations – 700 cases annually
 - Complaint generated
 - Routine compliance monitoring
 - Label review



PESTICIDE PROGRAM (CONTINUED)

- Pesticide Analytical and Response Center (PARC)
- 24 hour reporting hotline (2-1-1)
- Citizen advocate
- Continued implementation of the Pesticide Stewardship Partnership with DEQ and other stakeholders



FERTILIZER PROGRAM

Ensure truth in labeling for fertilizer products sold in Oregon through registration and compliance monitoring





PROTECTING AGRICULTURAL LAND

- Provide technical assistance to agricultural community on land use and right to farm issues
- Advocate for the protection of agriculture land use and common and accepted farm practices
- Advocate for agricultural and rural communities before authorizing nonfarm uses on farm land



INTERNAL SERVICES & CONSUMER PROTECTION PROGRAMS





INTERNAL SERVICES & CONSUMER PROTECTION PROGRAMS

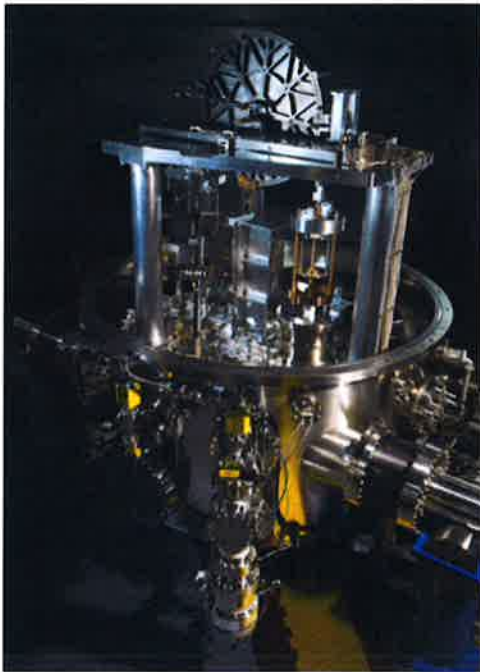
- Ensure the accuracy, validity, uniformity, and confidence in Oregon's Commercial Weighing System
- Ensure motor fuels sold in Oregon meet national quality standards and enforce Oregon's Renewable Fuel Standard
- Provide safe, accurate, timely, and cost-effective laboratory analysis and technical support to ODA's regulatory programs and other agencies



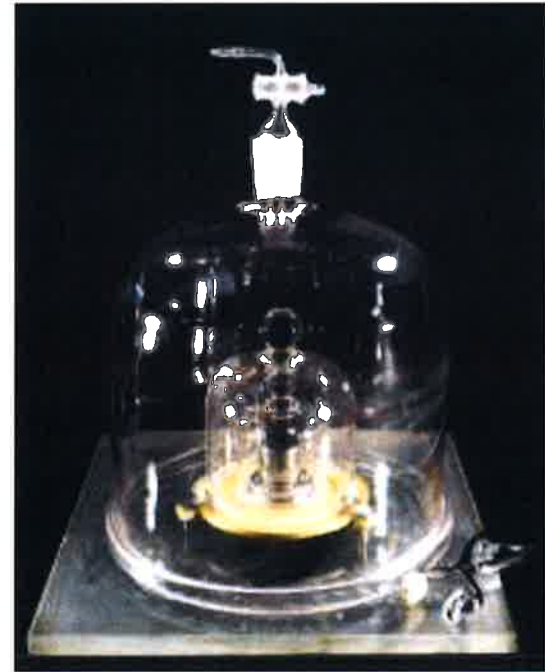
CONFIDENCE FOR OREGON'S COMMERCIAL WEIGHING SYSTEM

- ODA Metrology Lab
 - Maintains state standards for weight and volume
 - Achieved the highest accreditation from the National Institute of Standards and Technology (NIST) – Echelon One
 - Keeps Oregon's high-tech companies competitive with precision measurement calibration services to the highest international standards (ISO Accreditation)
- Inspect scales and meters to ensure accuracy and uniformity

WATT BALANCE NEW INTERNATIONAL MEASUREMENT DEVICE



Watt Balance



Old Kilogram Balance



DESIGNED INNOVATIVE FISH SCALE TESTING SYSTEM





CONSTRUCTED RAILROAD SCALE—OFF-RAIL TESTING UNIT





ENSURING MOTOR FUEL STANDARDS

- Test motor fuel to prevent distribution of poor quality fuels
- Participate in national policy discussions regarding quality standards of biofuels and motor fuels—NCWM/ASTM
- Respond to consumer complaints and industry questions
- Gas tax label requirements



REGULATORY LAB SERVICES

- Support ODA's regulatory functions with official state testing services
 - Provide laboratory analysis of samples collected during agency investigations such as pesticide residues, water quality, fertilizer analysis, shellfish, cannabis, etc...
- Maintained ISO accreditation
- Operational six days/week
- Working to implement a new lab information management system

ADMINISTRATION AND SUPPORT





ADMINISTRATION AND SUPPORT

- Leadership
- Communication
- Promotion of Oregon Agriculture
- Fiscal services
- IT services
- Human Resource services
- Licensing and Procurement services
- Special projects such as:
 - Canola co-existence
 - Cannabis implementation
 - Manure tax credit
 - Mediation
 - Wolf Compensation



COLLABORATIVE COORDINATION

- Cannabis Policy
- Oregon Bee Project
- Oregon Natural Resource Agencies
- Oregon Department of Corrections
- Federal agencies—USDA, FDA, EPA
- State Departments of Agriculture nationwide



AGENCY PERFORMANCE

**Key Performance Measures
Customer Service Survey
Accomplishments, Improvements and
Challenges**



KEY PERFORMANCE MEASURES

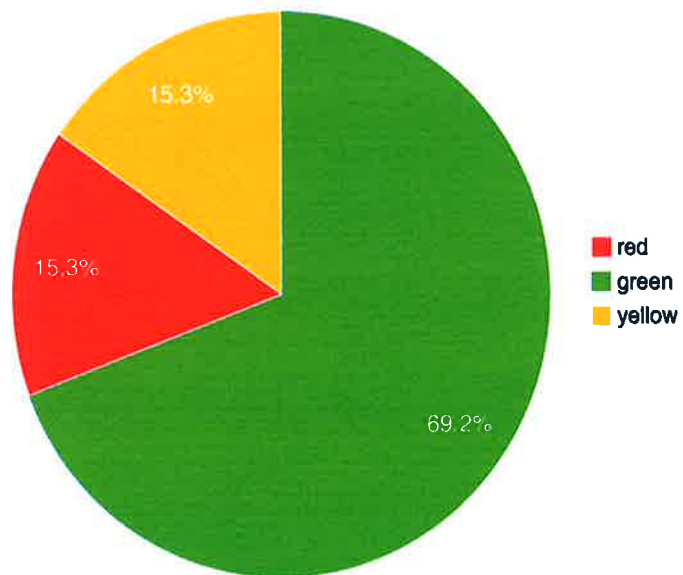
11/15/2018

KPM - View Report

KPM # Approved Key Performance Measures (KPMs)

- 1 Food Safety - Ensure high levels of compliance with each of the ten risk factors identified by Centers for Disease Control in retail stores.
- 2 Weighing and Measuring Devices - Percent of weighing and measuring devices examined found in compliance with Oregon's weights and measures laws.
- 3 Top 100 Exclusions - Percent of plant pests, diseases, or weeds on the Oregon 100 Most Dangerous Invaders list successfully excluded each year.
- 4 Noxious Weed Control - Percentage of state "A" & "T" listed noxious weed populations successfully excluded from the state or kept decreasing or stable.
- 5 T&E Plants - Percent of listed T&E plants with stable or increasing populations as a result of department management and recovery efforts.
- 6 Pesticide Investigations - Percent of pesticide investigations that result in enforcement actions.
- 7 Non-traditional 3rd party certification services - Number of days required to process and issue certification after audit completion.
- 8 Trade Activities - Sales as a result of trade activities with Oregon producers and processors.
- 9 Ag Employment - Number of jobs saved or created as a result of activities to retain or expand existing Oregon agricultural and food processing capacity. Measured in numbers of jobs based on telephone and email surveys of companies assisted.
- 10 CAFOs - Percent of permitted Oregon Confined Animal Feeding Operations (CAFOs) found to be in compliance with their permit during annual inspections.
- 11 Smoke Management - No increase above 2002 levels in hours of 'significant smoke intrusions' due to field burning in key cities in the Willamette Valley as measured by nephelometer readings.
- 12 Water Quality - Percent of monitored stream sites associated with predominantly agriculture use with significantly increasing trends in water quality.
- 13 Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.

KEY PERFORMANCE MEASURES



Performance Summary

Summary Stats:

Green	Yellow	Red
= Target to -5%	= Target -5% to -15%	= Target > -15%
69.23%	15.38%	15.38%



CUSTOMER SERVICE SURVEY

"It is refreshing to have an inspector that actually understands our business that can focus on the most important issues facing us."

"Response times could be better when an agent inquires about the status of a registration."

"Very easy to get answers over the phone compared to other states I've had to work with. Other states really aren't doing the same level of education and testing I really appreciate it."

"Invest in building the capacity to process and handle the coming hemp boom"

"On-site certification scheduled to meet my needs, helpful to a small business owner."

ACCOMPLISHMENTS

- Coordinated streamside management
- Pilot monitoring project along select bays to determine if shellfish closure events can be more targeted
- Food Safety backlog reductions
- Increase use of social media tools to inform and engage
- Enhance online renewals and registration systems



OPPORTUNITIES FOR IMPROVEMENT

- Increase cross utilization of program services
- On-going laboratory infrastructure improvements
- Use new strategies and tools to increase agency engagement
- Expanding the use of mobile devices in our inspections
- Continue implementation of strategic plan



CHALLENGES

- Co-existence
- Complexity of issues and increased legal costs
- Invasive species eradication programs
- Meeting both core program demands as well as new initiatives
- ODA's laboratory spaces
- Succession planning



ODA LEGISLATION

HB 2057—Weights and Measures fees

HB 2058—Eliminate pesticide application re-take fee

HB 2059—Food Safety fees

HB 2060—Unlicensed food safety facility authority

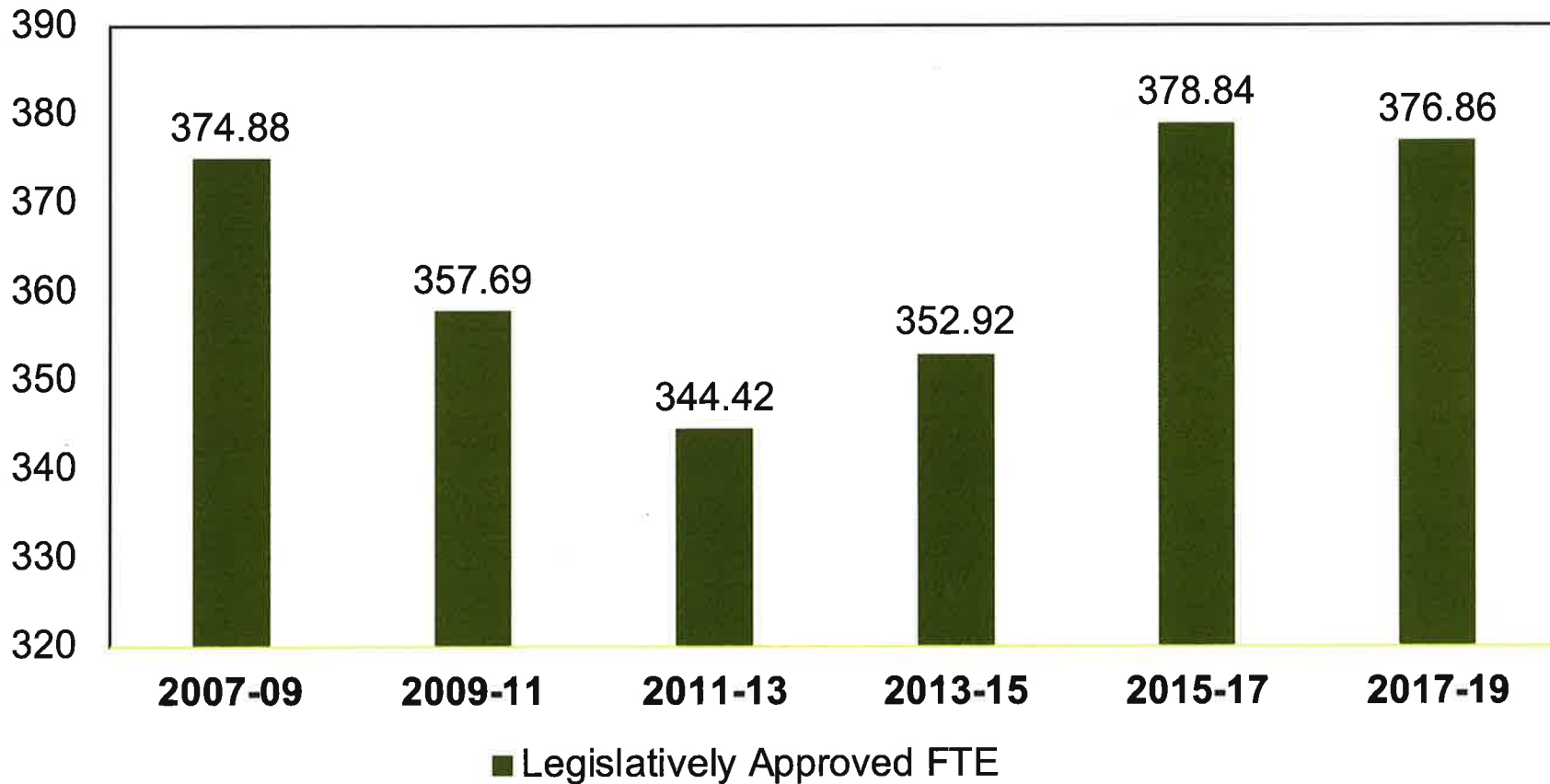
HB 2061—CAFO fees

HB 2062—Invasive Species Council

BUDGET

	2015-17 Leg Approved	2017-19 Leg Approved	2019-21 Governor's Budget
General fund	\$24,630,128	\$23,529,248	\$25,970,304
Lottery funds	\$7,599,344	\$10,360,960	\$7,570,661
Other funds	\$62,541,500	\$68,154,857	\$73,488,500
Federal funds	\$17,630,167	\$17,615,623	\$17,371,337
Total funds	\$112,401,139	\$119,660,688	\$124,400,802
Full-time equivalent (FTE)	378.84	376.86	378.53

ODA STAFFING





POLICY PACKAGES

Pkg 090 – State Natural Resource Agency Grants Coordinator

Pkg 110 – Internal Audit Function

Pkg 140 – Limitation for Merchant Fees

**Pkg 240 – Laboratory Equipment Replacement &
Operations**

Pkg 260 – Agency Lab Consolidation Planning

Pkg 295 – Avian Influenza Limited Duration Position

Pkg 310 – Strategic Implementation Area

Pkg 320 – Japanese Beetle Eradication Funding

Pkg 330 – Klamath Ag Water Quality Monitoring



POLICY PACKAGES (CONT'D)

Pkg 350 – Lower Umatilla Groundwater Monitoring and Coordination

Pkg 370 – Worker Protection Standard Training

Pkg 380 – Invasive Species Council Base Funding

Pkg 385 – Align Pesticide Stewardship Prgm Funding

Pkg 390 – Fertilizer Registration Staffing

Pkg 395 – Plant Program Staffing

Pkg 410 – Market Development & International Marketing



POLICY PACKAGES (CONT'D)

Pkg 430 – Food Safety Modernization Act

Pkg 440 – Shipping Point Staffing

Pkg 461 – Legal Cost Limitation



FEE CHANGES

Pkg 230 – Food Safety Fee Increase (HB2059)

Pkg 270 – Weights & Measures Fee Cap Increase
(HB2057)

Pkg 280 – Food Safety Fee Ratification (HB5003)

Pkg 290 – Weights & Measures Fee Ratification (HB5003)

Pkg 340 – CAFO Fee Increase (HB2061)

Pkg 450 – Certifications Fee Ratification (HB5003)

REDUCTIONS IN GOVERNOR'S BUDGET

- Predator Control: elimination of General Fund pass through money to USDA Wildlife Services Predator Control Program - \$481,840
- Program vacancy savings - \$546,540
- Service and supplies - \$169,772
- Statewide adjustments - various



10% REDUCTION OPTIONS

First 5% - \$1.3M General Fund

- Plant Conservation: one time fund shift to Federal Funds - \$114,349
- Predator Control: eliminate pass thru for USDA Wildlife Services - \$481,840*
- Pesticide Analytical Response Center: one time fund shift to Pesticide License Fee support - \$370,870
- Noxious Weed Control: one time fund shift to Lottery Funds - \$293,291

*included in Governor's Budget

10% REDUCTION OPTIONS (CONT'D)

Second 5% - \$1.3M General Fund

- Noxious Weed Control: one time fund shift remaining General Fund to Lottery Funds - \$295,031
- Pesticide Stewardship Partnership (PSP): eliminate General Fund support to Oregon Dept of Environmental Quality for PSP program - \$965,319



10% REDUCTION OPTIONS (CONT'D)

First 5% - \$400k Lottery Funds

- Invasive Species Council: eliminate Lottery Fund support for council - \$56,026
- Noxious Weed Control: one time fund shift portion of a Natural Resource Spec 4 position to Federal Funds - \$217,863
- Soil and Water Conservation Districts: eliminate a portion of a position - \$94,454 / 0.25 FTE



10% REDUCTION OPTIONS (CONT'D)

Second 5% - \$400k Lottery Funds

- Soil and Water Conservation Districts: eliminate remaining portion of a position - \$209,225 / 1 POS / 0.75 FTE
- Insect Pest Prevention & Management: eliminate three seasonal survey technicians - \$159,117 / 3 POS / 1.26 FTE

LONG TERM VACANCIES

Positions used to finance unbudgeted costs or other positions.	Natural Resources and Market Access & Certification	Program Analyst 3; Ops & Policy Analyst 3	2	2.00
In the process of restructuring duties & job description	Administrative Services	Info Systems Spec 7	1	1.00
Vacancies open 12 months or more				
Will be filled when fund balance is sufficient to support position	Food Safety/Consumer Protection	Compliance Spec 2	1	0.92
Seasonal job / Project specific	Natural Resources and Market Access & Certification	Laborer; Shipping Point Insp 2; Agricultural Worker	32	7.88
Position used to finance unbudgeted costs or other positions	Food Safety and Natural Resources	Exec Manager C; Natural Resource Spc 4	2	1.73
Positions phasing out at the end of the biennium	Food Safety	Natural Resource Spc 3	3	3.00
Relating to Policy Option Packages	Food Safety and Natural Resources	Natural Resource Spc 3; Office Specialist 2; Office Manager 1	4	3.50



THANK YOU

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PROGRAM PRIORITIZATION FOR 2019-21

Agency Name: Oregon Department of Agriculture																					
2019-21 Biennium																					
Program/Division Priorities for 2019-21 Biennium																					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm / Div																				
1	1	ODA	Food Safety and Animal Health	Food Safety Program/The Food Safety Inspection Program licenses, inspects, and tests all facets of the food distribution system, except restaurants, totaling nearly 8,500 establishments. Also, assists in education of food companies and the public about food quality and safety concerns.	603-1, 13	10	3,259,230	-	9,713,407	-	-	\$ 12,972,637	45	44.25	Y	N	FM, FO, S	ORS 603, 616, 619, 621, 632, 625, 628, 635	FM - Food & Drug Cosmetic Act FO - Contract Inspection on behalf of FDA - currently at 468/year	Pkg 210 - Requests reversal of General Fund to Other Fund shift that occurred in 2017-19. Pkg 230 - Requests an increase in Food Safety License Fees (Leg Concept 453). Pkg 250 - Requests to add a Food Safety Data Analyst. Pkg 280 - Requests to ratify an administrative fee increase.	
2	2	ODA	Measurement Stds and Internal Svcs	Regulatory and ESC Lab/This laboratory provides analytical testing services for the department's food safety, pesticide enforcement, natural resource and fertilizer programs ensuring high standards of food safety and product integrity. The Export Service Center (ESC) enhances the department's marketing efforts by providing exporter certification of food and other import requirements for key foreign markets.	603-13	10	4,049,483	-	4,245,244	-	612,317	\$ 8,907,044	23	23.10	Y	N	FO, S	ORS 561, 576	FO - Food Emergency Response Network - Capability to perform proficiency testing and assist with food emergency assignments.	Pkg 220 - Placeholder for funding for agency Cannabis work. Pkg 240 - Requests funds for equipment replacement, ongoing software fees for LIMS and funding for an Operations Manager. Pkg 260 - Requests funds to examine feasibility of consolidating ODA laboratories.	
3	3	ODA	Food Safety and Animal Health	Animal Health/The Animal Health Program's primary activity is to prevent, control and eradicate livestock diseases harmful to humans and animals.	603-13	10	1,082,005	-	1,337,752	-	735,908	\$ 3,155,665	8	8.28	Y	N	FO, S	ORS 596, 599, 600, 601, 609, 619	FO - Animal disease surveillance and traceability efforts.	Pkg 295 - Requests to continue limited duration position for Avian Influenza.	
4	1	ODA	Plant Protection & Conservation	Insect Pest Prevention and Management/This program includes exclusion, detection and eradication of harmful plant pests such as gypsy moth and Japanese beetle.	603-3, 4, 13	9	1,188,311	2,339,881	135,580	-	3,012,950	\$ 6,676,722	32	19.29	Y	Y	FO, S	ORS 570	FO - Participation in exclusion, detection, eradication of target harmful plant pests.	Pkg 320 - Requests funding and limited duration positions for continuation of Japanese Beetle eradication program. Pkg 395 - Requests to continue limited duration positions supported by Federal Funds.	
5	1	ODA	Market Access & Certification	Plant Health/Plant Programs include the exclusion, detection and eradication of harmful plant diseases (e.g. sudden oak death), seed field inspections, laboratory testing of seed, and fruit tree virus certification.	603-3, 13	9	-	-	2,078,737	-	1,378,994	\$ 3,457,731	13	12.60	N	N	FO, S	ORS 570	FO - Participation in exclusion, detection, eradication of target harmful plant diseases.	-	
6	2	ODA	Market Access & Certification	Ag Development and Marketing Projects/These activities support the department's mission to promote economic development in the agricultural industry. The program finds solutions and provides marketing opportunities for Oregon's food and agricultural industry both domestically and internationally.	603-7, 8, 9, 13	6	3,374,998	-	314,271	-	4,955,385	\$ 8,644,654	11	10.50	Y	N	S	ORS 576	-	Pkg 410 - Establishes a position focused on a coordinated international market access and development program. Pkg 420 - Requests funding for Oregon promotion and branding.	

Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	GF	LF	OF	NL- OF	FF	NL- FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request	
7	2	ODA	Natural Resources and Pesticides	Natural Resources/This activity unit provides for the administration of all Natural Resource Division programs and activities.	603-10, 11, 12a, 12b, 12c, 13	9	1,476,319	-	159,370	-	15,344	-	\$ 1,651,033	6	5.00	N	N	S	561, 568, 468B	-	-
8	3	ODA	Natural Resources and Pesticides	Agriculture Water Quality/Ag Water Quality program provides a mechanism to improve and assure Oregon's Water Quality.	603-12a, 12b, 12c, 13	9	3,121,344	2,452,740	298,949	-	-	-	\$ 5,873,033	18	18.00	Y	N	S	ORS 561, 568, 468B	-	Pkg 310 - Expands work with partner agencies and organizations to achieve water quality goals in small agricultural watersheds. Pkg 330 - Requests support for water quality issues associated with agricultural lands around Klamath Lake. Pkg 350 - Requests support for work in the Lower Umatilla Basin Groundwater Management Area.
9	4	ODA	Natural Resources and Pesticides	Soil and Water Conservation Districts/This activity provides for utilization of Oregon's 45 Soil and Water Conservation Districts to provide technical assistance to landowners and land managers to implement conservation measures and watershed enhancement projects and support of Oregon's Agricultural Water Quality management program, the Oregon Plan for salmon and watersheds.	603-12a, 12b, 12c, 13	9	-	807,230	-	-	-	\$ 807,230	2	2.00	N	Y	S	ORS 561, 568	-	-	
10	5	ODA	Natural Resources and Pesticides	Confined Animal Feeding Operations/CAFO program provides a mechanism to improve and assure Oregon's Water Quality, and ensure compliance with federal regulations.	603-10, 13	9	2,215,363	-	451,552	-	-	\$ 2,666,915	10	9.73	Y	N	FM, S	ORS 468B	FM - Adherence to federal regulations related to Confined Animal Feeding Operations (CAFOs).	Pkg 340 - Requests an increase in CAFO fees (Leg Concept 455).	
11	6	ODA	Natural Resources and Pesticides	Pesticides/The pesticides program administers state law regulating the distribution and use of pesticide products.	603-6, 13	10	-	-	6,972,301	-	1,320,088	-	\$ 8,292,389	26	26.37	Y	N	FM, S	ORS 634	FM - Adherence to Federal Insecticide, Fungicide and Rodenticide Act (FIFRA)	Pkg 370 - Requests support for education, training, and technical assistance regarding rights and responsibilities of agricultural employers and employees under the federal Worker Protection Standard.
12	7	ODA	Natural Resources and Pesticides	Pesticide Stewardship Partnership/Identifies potential concerns and improves water quality affected by pesticide use around Oregon.	603-12a, 12b, 12c, 13	9	965,319	-	949,735	-	-	\$ 1,915,054	1	1.00	Y	Y	-	ORS 561, 568, 634	-	Pkg 385 - Shifts funding by budget category to maintain a 50:50 split for General Fund and Other Funds.	
13	4	ODA	Food Safety and Animal Health	Shellfish/The shellfish program assures the safety of Oregon's commercial and recreational shellfish and compliance with the U.S. Food and Drug Administration's (FDA) standards for shipping shellfish interstate.	603-13	10	470,691	-	524,158	-	-	\$ 994,849	2	2.00	N	N	FO, S	ORS 622	FO - Adherence to FDA requirements for interstate shellfish compact. Interstate movement of shellfish.	-	
14	5	ODA	Food Safety and Animal Health	Feeds/The Feeds program provides commercial feed registration as well as a testing program to assure consumers that animal feed is safe and in compliance with state and federal regulation and laws.	603-13	3	-	-	364,658	-	-	\$ 364,658	1	1.00	N	N	FO, S	ORS 633	FO - Adherence to federal regulations for feed.	-	
15	8	ODA	Natural Resources and Pesticides	Fertilizer/The fertilizer program regulates the composition, labeling, and marketing of fertilizer products.	603-13	3	-	-	1,401,453	-	-	\$ 1,401,453	3	3.63	Y	N	S	ORS 633	-	Pkg 390 - Requests to add a Fertilizer Registration Specialist.	

Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	GF	LF	OF	NL- OF	FF	NL- FF	TOTAL FUNDS	Pos.	FTE	New or Enhance d Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm / Div																				
16	9	ODA	Plant Protection & Conservation	Noxious Weed Control/This program's function is to protect Oregon's natural resources and agricultural economy from invasive noxious weeds through integrated control efforts. This includes early detection rapid response, biological control and providing technical assistance and grants to local land managers.	603-3, 4, 13	9	665,558	1,710,970	249,627	-	1,704,006	-	\$ 4,330,161	14	11.80	Y	Y	S	ORS 570	-	Pkg 360 - Enhances the noxious weed program by adding an aquatic weed specialist and requests a fundshift to state support for core program functions.
17	10	ODA	Plant Protection & Conservation	Nursery/The nursery program provides inspection and export certification services to Oregon's nursery industry; imported nursery stock is also inspected.	603-13	6	-	-	3,237,420	-	662,896	-	\$ 3,900,316	13	11.69	Y	Y	S	ORS 571	-	Pkg 395 - Requests to add an Assistant Horticulturist.
18	11	ODA	Plant Protection & Conservation	Christmas Tree/Plant Programs include inspection and export certification services to Oregon's Christmas tree industry.	603-13	6	-	-	526,934	-	-	-	\$ 526,934	-	1.84	Y	N	S	ORS 571	-	Pkg 395 - Requests to add an Assistant Horticulturist.
19	12	ODA	Plant Protection & Conservation	Nursery Research/This activity makes available nursery-related research grants from money collected through the nursery research assessment fund.	603-13	6	-	-	433,423	-	-	-	\$ 433,423	-	-	N	N	S	ORS 571	-	-
20	13	ODA	Plant Protection & Conservation	Invasive Species Council/The purpose of the Oregon Invasive Species Council (OISC) shall be to conduct a coordinated and comprehensive effort to keep invasive species out of Oregon and to eliminate, reduce, or mitigate the impacts of invasive species already established in Oregon.	603-3, 4, 13	9	-	56,026	170,921	-	473,922	-	\$ 700,869	-	-	Y	Y	S	ORS 570	-	Pkg 380 - Requests additional funding to support the Invasive Species Council.
21	3	ODA	Market Access & Certification	Shipping Point Inspection/Provides inspection and certification to a wide range of fruit, vegetable and nut crops. Inspectors certify product for export and domestic markets.	603-7, 13	6	-	-	10,323,840	-	-	-	\$ 10,323,840	95	47.18	Y	N	FO, S	ORS 632	FO - Adherence to federal programs for various certification and audit programs.	Pkg 430 - Requests Federal Fund limitation and limited duration positions for FSMA outreach and education. Pkg 440 - Requests three Shipping Point Assistant Managers and requests a reclass of an administrative specialist.
22	4	ODA	Market Access & Certification	Certifications/The certification and audit services program provides voluntary market access certification and validation for processes and attributes of fresh and processed agricultural products. Programs include: National Organic Program certification, Global Food Safety Initiative audits, USDA GAP/GHP Audit Verification Program, Maximum Residue Level Certification and other private and industry driven standards verification and third-party audit services.	603-7, 13	6	-	-	1,445,540	-	-	-	\$ 1,445,540	4	6.11	Y	N	FO, S	ORS 632	FO - Adherence to federal programs for various certification and audit programs.	Pkg 450 - Requests to ratify and administrative fee increase.
23	6	ODA	Food Safety and Animal Health	Livestock ID/The Livestock ID program is to ensure proper ownership of livestock through the brand recording and inspection program, enhance economic production of livestock.	603-13	6	-	-	3,074,410	-	-	-	\$ 3,074,410	69	13.54	N	N	S	ORS 577, 579, 603, 604, 607, 608, 601, 164, 167	-	-

Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program- Activity Code	GF	LF	OF	NL- OF	FF	NL- FF	TOTAL FUNDS	Pos.	FTE	New or Enhance d Program (Y/N)	Included as Reductio n Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request	
24	7	ODA	Measurement Stds and Internal Svcs	Weights and Measures/The weights and measures program licenses, inspects, and certifies all commercially used weighing and measuring devices in Oregon and assures scales are used properly.	603-13	3	-	-	7,800,996	-	-	-	\$ 7,800,996	29	26.67	Y	Y	S	ORS 618	-	Pkg 270 - Requests an increase in Weights & Measures licensing fees (Leg Concept 450). Pkg 290 - Requests to ratify an administrative fee increase.
25	5	ODA	Market Access & Certification	Seed/ This program provides inspection and enforcement of regulations of the grass seed industry. It provides a fair and competitive market within the Oregon Seed industry. The activities of the program have been a integral part of developing Oregon's reputation as a high quality seed supplier.	603-13	6	-	-	933,936	-	-	-	\$ 933,936	3	2.98	N	Y	S	ORS 633	-	-
26	6	ODA	Market Access & Certification	Hops/Hay/Grain - This activity provides inspection and certification for hops, hay, grains, and industrial hemp.	603-13	6	-	-	791,004	-	-	-	\$ 791,004	1	2.30	N	Y	S	ORS 561, 571, 586, 632, 633	-	-
27	14	ODA	Plant Protection & Conservation	Apiary/Responsible for state's apiary registration program.	603-13	6	-	-	-	-	-	-	\$ -	-	-	N	N	S	ORS 602	-	-
28	7	ODA	Market Access & Certification	Commodity Commission Oversight/This activity provides the administrative oversight of Oregon's 28 agricultural commodity commissions.	603-11, 13	4	-	-	710,110	-	-	-	\$ 710,110	1	1.50	N	Y	S	ORS 576, 577, 578, 579	-	-
29	15	ODA	Natural Resources and Pesticides	Smoke Management/The program minimizes the impacts on Oregonians through control of agricultural field burning activities.	603-2, 13	10	-	-	1,012,658	-	-	-	\$ 1,012,658	1	1.00	N	Y	S	ORS 468B	-	-
30	8	ODA	Food Safety and Animal Health	Motor Fuel Quality/The program inspects motor fuels to ensure that fuels meet national standards for quality and grade.	603-2, 13	3	-	-	619,950	-	-	-	\$ 619,950	-	2.23	N	Y	S	ORS 618	-	-
31	1	ODA	Farm Mediation	Farm Mediation/The activities include offering a voluntary and confidential process with trained, professional mediators to assist growers and members of the public in resolving private-party conflicts or issues related to agriculture. Examples include: boundary disputes, contract disputes, Ag. labor/wage concerns, price negotiations etc.	603-13	4	97,200	-	367,924	-	-	-	\$ 465,124	1	1.00	N	Y	S	ORS 576	-	-
32	16	ODA	Natural Resources and Pesticides	Pesticides Analytical Response Center/Provides an unbiased review of alleged pesticides poisonings in Oregon.	603-6, 13	10	370,870	-	427,946	-	-	-	\$ 798,816	1	1.00	N	Y	S	ORS 634	-	-
33	9	ODA	Food Safety and Animal Health	Predator Control/This program is a cooperative activity with USDA Wildlife Services and Oregon counties. It Functions to reduce losses to agricultural producers by predatory animals.	603-13	9	481,840	-	-	-	-	-	\$ 481,840	-	-	N	Y	S	ORS 610	-	-
34	2	ODA	Wolf Financial Asst & Grants	Wolf Financial Assistance & Grants/Provides block grants to assist counties in implementing county wolf depredation compensation programs.	603-13	6	218,510	-	-	-	188,371	-	\$ 406,881	-	-	N	Y	FO, S	ORS 610	FO - Distribute direct compensation for losses and/or prevention. Reporting to Federal Gov regarding program activities.	-
35	17	ODA	Plant Protection & Conservation	Hemp Program/This activity provides inspection and certification for industrial hemp.	603-13	6	-	-	356,934	-	-	-	\$ 356,934	1	1.00	Y	Y	S	ORS 571	-	Pkg 395 - Requests additional staff support and a position reclass in the Hemp program.

Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request
36	18	ODA	Plant Protection & Conservation	603-5, 13	9	114,349	-	220,846	-	797,631	-	\$ 1,132,826	3	2.50	N	Y	S	ORS 564	-	-
N/A	N/A	ODA	Admin and Support Services	603-13	4	2,055,607	-	9,913,431	-	-	-	\$ 11,969,038	38	38.00	Y	N	-	ORS 561	-	Pkg 110 - Requests an internal auditor position. Pkg 120 - Requests to fund investments in Information Technology and Security. Pkg 130 - Requests a fundshift for additional state support to maintain parity in funding of administration with the programs it supports. Pkg 140 - Requests additional Other Funds limitation for merchant fees.
						25,206,997	7,366,847	71,565,017	-	15,857,812	-	\$ 119,996,673	475	359.09						

7. Primary Purpose Program/Activity Exists

- 1 Civil Justice
- 2 Community Development
- 3 Consumer Protection
- 4 Administrative Function
- 5 Criminal Justice
- 6 Economic Development
- 7 Education & Skill Development
- 8 Emergency Services
- 9 Environmental Protection
- 10 Public Health
- 11 Recreation, Heritage, or Cultural
- 12 Social Support

19. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

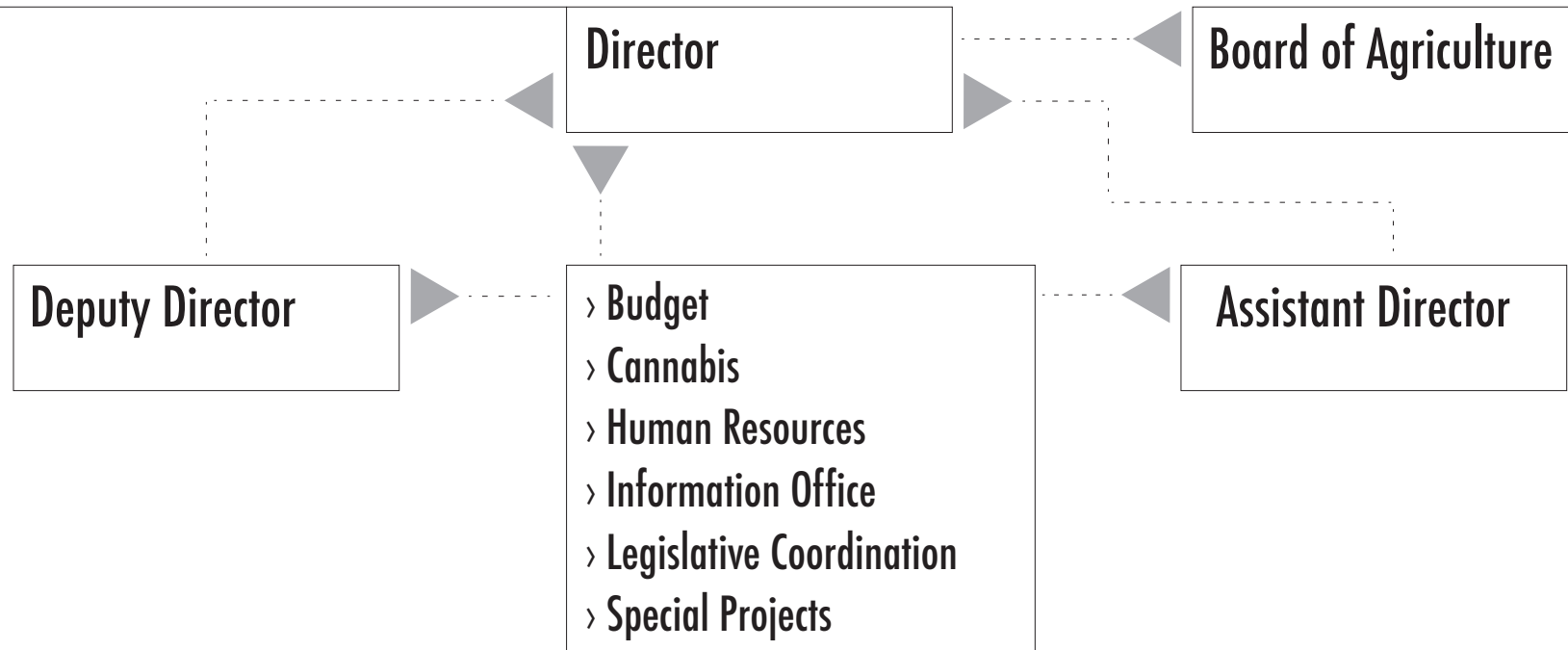
Prioritize each program activity for the Agency as a whole

Document criteria used to prioritize activities:

Programs are prioritized based on the following principles: impacts on public health, potential economic development, environmental protections, agency's core mission, and other ways of meeting the requirements of the agency.

Source: 2019-21 Governor's Budget, Current Service Level

Agency Organizational Chart

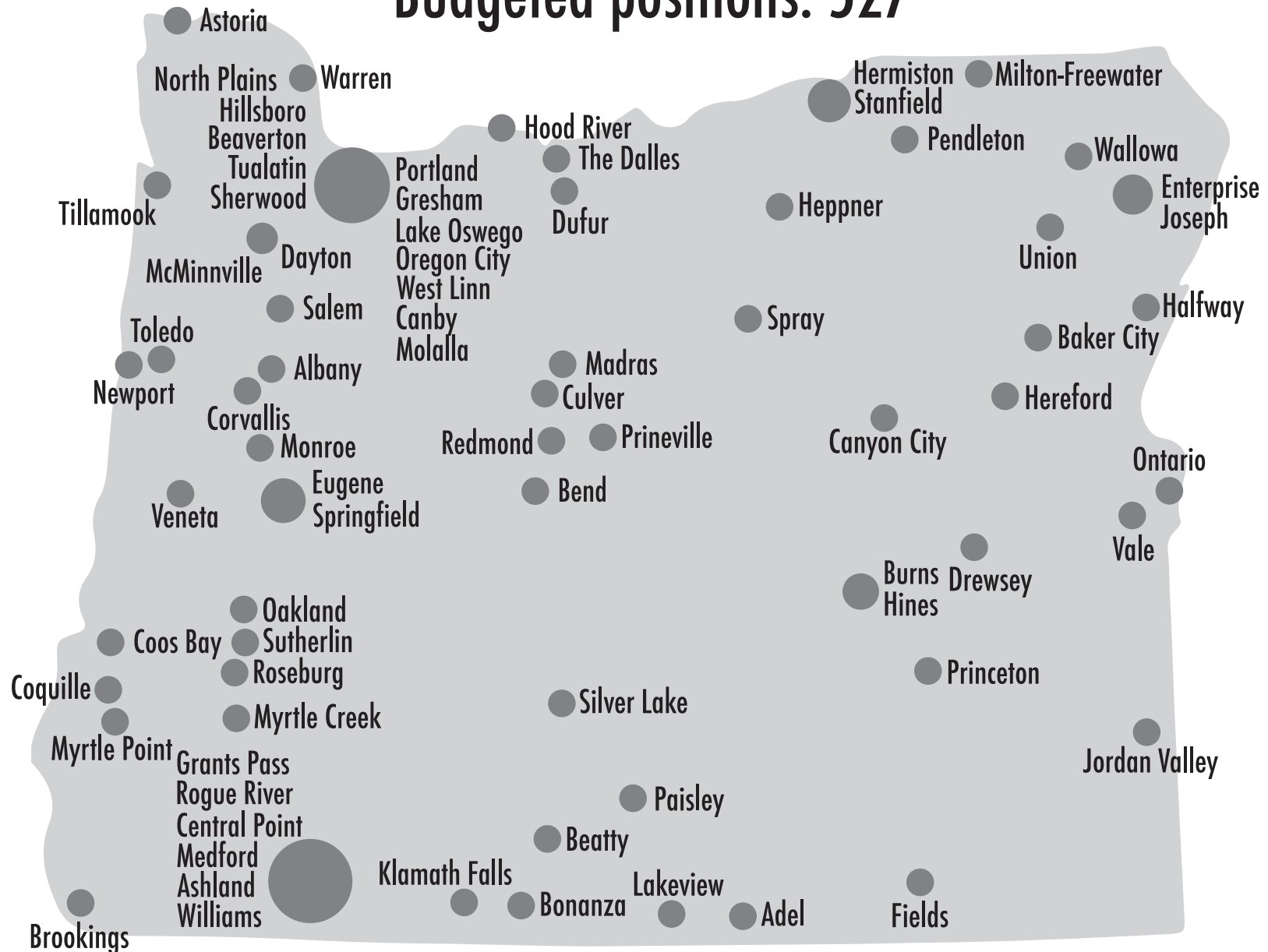


Market Access & Certification Programs	Food Safety & Animal Health Programs	Natural Resource Programs	Plant Protection & Conservation Programs	Internal Service & Consumer Protection Programs
<ul style="list-style-type: none"> › Agricultural Development & Marketing › Certification Services › Commodity Commissions Oversight › Commodity Inspection › Farm to School Program › Plant Health Lab › Seed Program › Shipping Point Inspection › Specialty Crop Block Grant Program 	<ul style="list-style-type: none"> › Animal Health & Lab › Animal Identification › Commercial Animal Feeds › Food Safety › Shellfish Biotoxin Testing › Shellfish Plat Leasing › State Veterinarian 	<ul style="list-style-type: none"> › Agricultural Water Quality › Confined Animal Feeding Operations › GIS Mapping › Land Use › Pesticide Analytical & Response Center › Pesticide & Fertilizer Programs › Smoke Management › Soil & Water Conservation Districts Program 	<ul style="list-style-type: none"> › Industrial Hemp › Insect Pest Prevention & Management › Noxious Weed Program › Nursery & Christmas Tree Program › Nursery Research Grant Program › Native Plant Conservation 	<ul style="list-style-type: none"> › Egg Laying Hens › Laboratory Services › Metrology Lab › Motor Fuel Quality › Weights & Measures › Wolf Compensation

ODA Staff by Location

ODA provides services across the state with field staff based in strategic geographic locations.

Budgeted positions: 527



Note: Larger circles reflect multiple cities in the region, not quantity of employees.

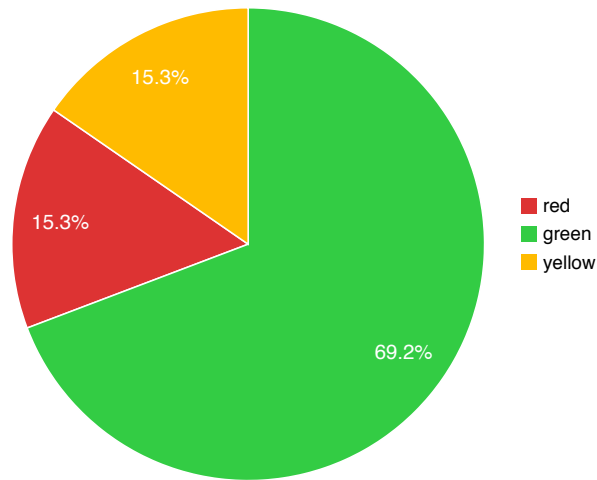
Agriculture, Department of

Annual Performance Progress Report

Reporting Year 2017

Published: 9/27/2018 9:36:58 AM

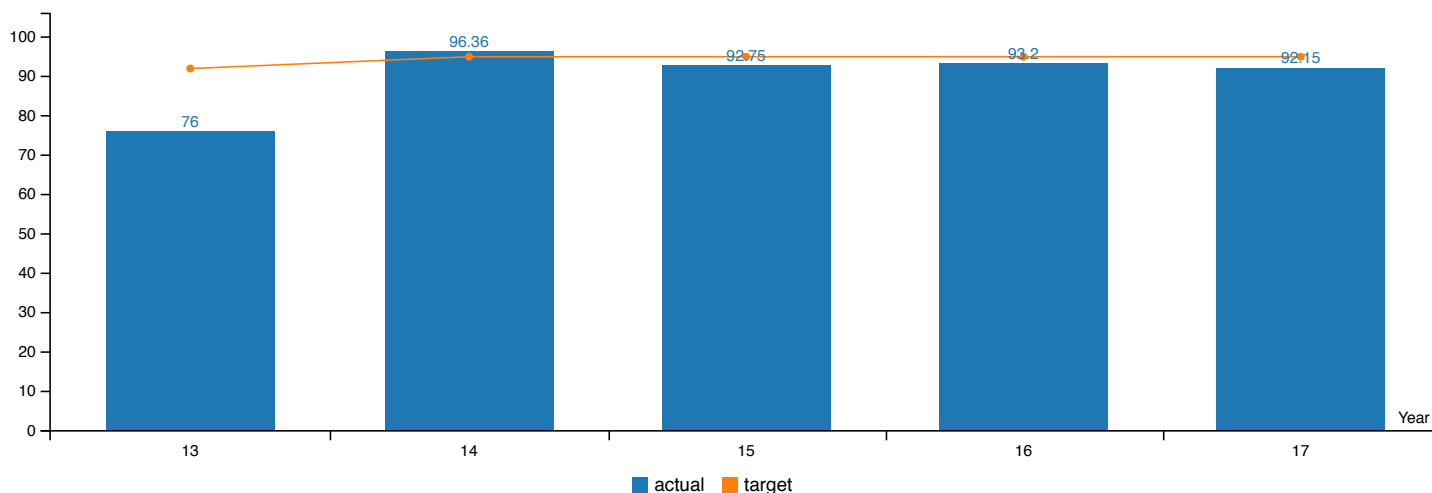
KPM #	Approved Key Performance Measures (KPMs)
1	Food Safety - Ensure high levels of compliance with each of the ten risk factors identified by Centers for Disease Control in retail stores.
2	Weighing and Measuring Devices - Percent of weighing and measuring devices examined found in compliance with Oregon's weights and measures laws.
3	Top 100 Exclusions - Percent of plant pests, diseases, or weeds on the Oregon 100 Most Dangerous Invaders list successfully excluded each year.
4	Noxious Weed Control - Percentage of state "A" & "T" listed noxious weed populations successfully excluded from the state or kept decreasing or stable.
5	T&E Plants - Percent of listed T&E plants with stable or increasing populations as a result of department management and recovery efforts.
6	Pesticide Investigations - Percent of pesticide investigations that result in enforcement actions.
7	Non-traditional 3rd party certification services - Number of days required to process and issue certification after audit completion.
8	Trade Activities - Sales as a result of trade activities with Oregon producers and processors.
9	Ag Employment - Number of jobs saved or created as a result of activities to retain or expand existing Oregon agricultural and food processing capacity. Measured in numbers of jobs based on telephone and email surveys of companies assisted.
10	CAFOs - Percent of permitted Oregon Confined Animal Feeding Operations (CAFOs) found to be in compliance with their permit during annual inspections.
11	Smoke Management - No increase above 2002 levels in hours of 'significant smoke intrusions' due to field burning in key cities in the Willamette Valley as measured by nephelometer readings.
12	Water Quality - Percent of monitored stream sites associated with predominantly agriculture use with significantly increasing trends in water quality.
13	Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.



Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	69.23%	15.38%	15.38%

KPM #1	Food Safety - Ensure high levels of compliance with each of the ten risk factors identified by Centers for Disease Control in retail stores.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Ensure high levels of compliance with each of the ten risk factors identified by Centers for Disease Control in retail stores					
Actual	76%	96.36%	92.75%	93.20%	92.15%
Target	92%	95%	95%	95%	95%

How Are We Doing

The Food Safety Program works cooperatively with local, state, and federal food safety agencies, and with Oregon's food producers and manufacturers to advance food safety and protect consumers. The program uses a combination of education and regulatory activities to achieve a high rate of compliance with science-based food safety laws, rules, and standards.

We continue to see a high compliance rate, but it is slightly below the target of 95 percent compliance.

The reporting period for this KPM is January 1 - December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

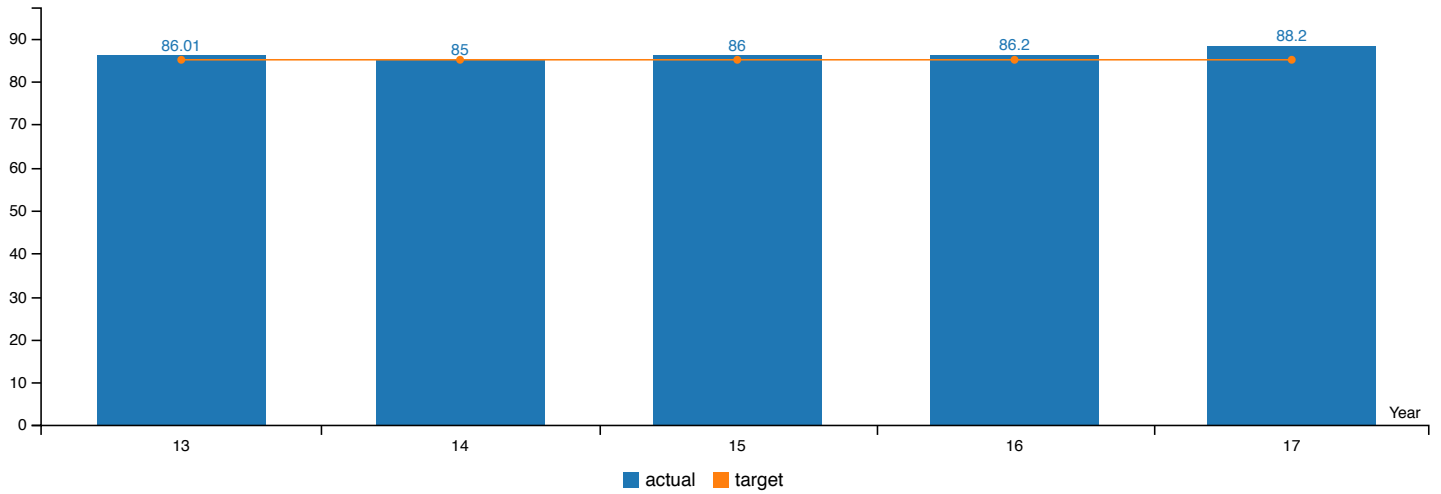
The food industry constantly changes due to advances in technology, federal and state law modifications, market trends, and the economy. Food safety staff participate in continuous training to maintain and improve the quality of educational information and regulatory oversight that we provide to industry and to consumers. This training helps ensure consistency across the state in how we apply regulations to new and existing types of food establishments.

The Food Safety Program must maintain staffing levels and resources necessary to create and maintain professional relationships with industry partners, conduct a sufficient number of inspections to motivate compliance, and ensure public safety. Additionally, the program must track and respond to areas of noncompliance that are noted during inspections in a uniform and consistent manner, including ensuring resolution of enforcement action.

An audit completed by the Secretary of State's Office in 2016 recommended several program improvements. The Food Safety Program developed a strategic plan to address the recommendations provided by the Secretary of State. Implementation of this strategic plan is on-going and includes a focus on identifying and correcting data errors for an accurate assessment of backlog, using available data to prioritize high risk backlog firms, develop electronic activity tracker to replace daily paper reports, reorganization of inspector territories for greater efficiencies, and others.

KPM #2	Weighing and Measuring Devices - Percent of weighing and measuring devices examined found in compliance with Oregon's weights and measures laws.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Weighing & Measuring Devices					
Actual	86.01%	85%	86%	86.20%	88.20%
Target	85%	85%	85%	85%	85%

How Are We Doing

ODA has met or exceeded this KPM every year since 2009. Commercial transactions involving weight and measure touch virtually every aspect of economic life in Oregon. As of August 1, 2018, approximately 61,167 licensed weighing and measuring devices located at 13,479 businesses make up Oregon's commercial weighing system.

The reporting period for this KPM is January 1 - December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

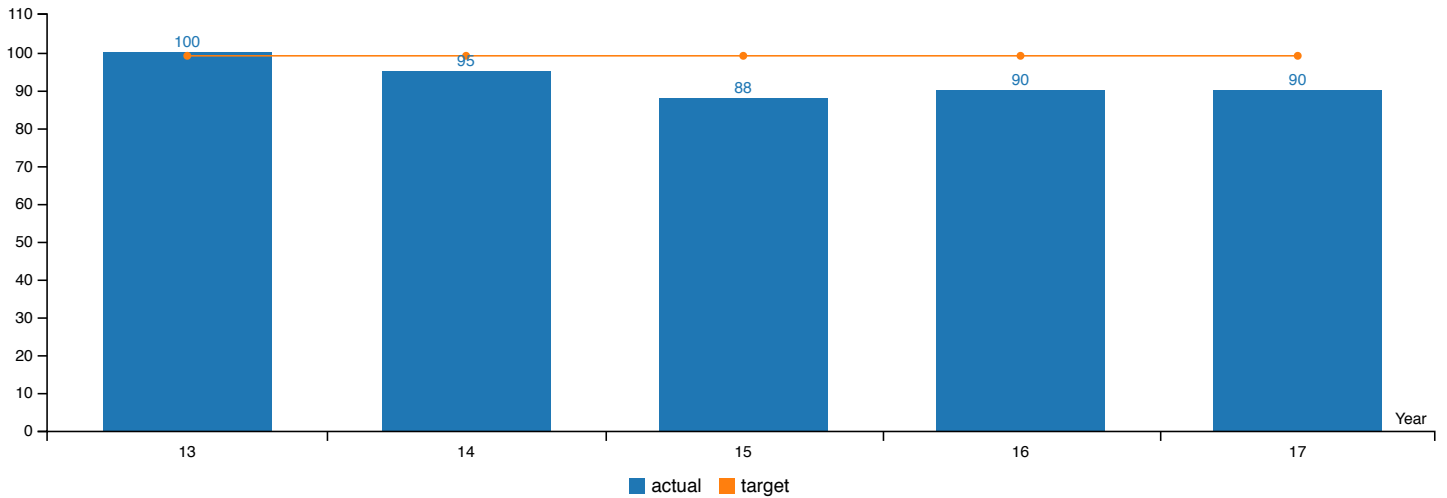
An increase in the number of new businesses using weighing and measuring devices, along with the introduction of new technological advancements in weighing and measuring devices in Oregon's commercial weighing system is a constant factor in determining whether or not these devices are legal for trade, accurate and being used for their intended purpose. For example, the increase in class I and II A scales associated with Oregon's cannabis industry initially caused a larger than normal increase in "not legal for trade" scales being identified and initial accuracy tests being rejected as many of the new scales were purchased and delivered without being calibrated. Over the last two years, Weights and Measures inspectors have worked with these new business owners to educate and train them on the proper placement, use and maintenance of these new devices. This additional assistance to business owners has resulted in decreased examination times.

With inspection caseloads increasing over the last several years (1999 = 48,632 devices, 2018 = 61,167 devices), along with new duties and responsibilities being added to the weights and measures inspectors caseload (2007- Motor Fuel Quality, 2011- Egg-Laying Hen Care, 2015 - assisting Food Safety Program) it is becoming increasingly more difficult to maintain annual examination rates across the state. ODA's Weights and Measures Program depends on highly trained staff to carry out the responsibilities of the program. When positions are vacated recruitment and retention issues may affect the programs ability to keep up with caseload demands.

The program also needs the capacity to maintain and acquire specialized testing equipment (e.g. new railroad testing unit) and advancements in mobile applications, automated IT inspection tools and case management systems in order to help achieve efficiency outcomes.

KPM #3	Top 100 Exclusions - Percent of plant pests, diseases, or weeds on the Oregon 100 Most Dangerous Invaders list successfully excluded each year.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Top 100 Exclusions					
Actual	100%	95%	88%	90%	90%
Target	99%	99%	99%	99%	99%

How Are We Doing

The Oregon Invasive Species Council (OISC) publishes an annual list of the 100 most dangerous invasive species threatening to invade Oregon. The ODA Invasive Species programs, Insect Pest Prevention and Management Program, the Noxious Invasive Weed Program, and the Plant Health Program, employ strategies to keep out invasive plant pests, diseases, and weeds on this list from establishing in Oregon.

The OISC has not updated a report card since 2015. The OISC “100 Worst List” contains 16 invasive plant pathogen species, 35 noxious plant species, and 26 invasive terrestrial invertebrate species corresponding to ODA’s Invasive Species programs. Based on these 77 invasive species, in 2015, ODA’s Invasive Species programs has successfully excluded 14 invasive plant pathogens, 32 noxious plant taxa, and 22 invasive terrestrial invertebrate species. Based on this information, the actual exclusion rate was 88 percent for 2015. In 2016, the actual exclusion rate was 90 percent, and in 2017, the actual exclusion rate was 90 percent. The Oregon Invasive Species published a strategic and an action plan to define priorities and identify operational challenges and opportunities for the next five years in battling invasive species in Oregon.

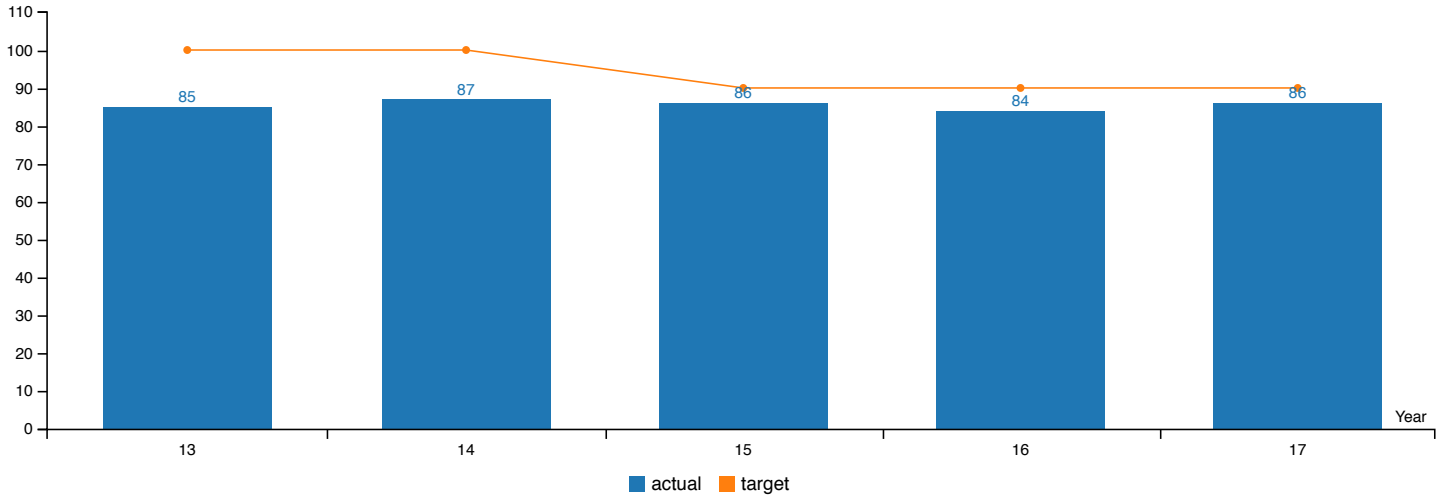
The reporting period for this KPM is January 1 - December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

Introductions of invasive species are the direct result of trade and travel. As globalization increases, so does the risk of introducing harmful invasive species. ODA conducts surveys for gypsy moth, japanese beetle, sudden oak death, kudzu, and many other invasive plant pests, diseases and weeds. Three fourths of the species on the OISC’s 100 most dangerous list are invasive terrestrial invertebrates, invasive plant diseases, and noxious weeds. A major focus of the Plant Protection Programs Area is to exclude these invasive species, or contain them if they become established, before they can spread throughout the state. Unfortunately, specific traps or other efficient survey tools are only available for about a third of the target species. Environmentally acceptable controls are not always available, dedicated resources to create controls are decreasing while the risks of invasive species are increasing.

KPM #4	Noxious Weed Control - Percentage of state "A" & "T" listed noxious weed populations successfully excluded from the state or kept decreasing or stable.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Noxious Weed Control					
Actual	85%	87%	86%	84%	86%
Target	100%	100%	90%	90%	90%

How Are We Doing

The ODA Noxious Weed Control Programs mission is to protect Oregon’s natural resources and agricultural economy from the invasion and proliferation of invasive noxious weeds. Currently, 86 percent of the highest priority state listed “A” and “T” noxious weeds are being successfully managed with integrated control techniques, including biological control.

The Noxious Weed Control Program did an economic analysis that demonstrates the value of the program. It looked at the impact of just 25 state listed weed species that revealed an impact of \$83.5 million annually to Oregonians. The analysis also revealed that the same 25 weeds if left unchecked with no active control programs could cause a \$1.8 billion impact to the state.

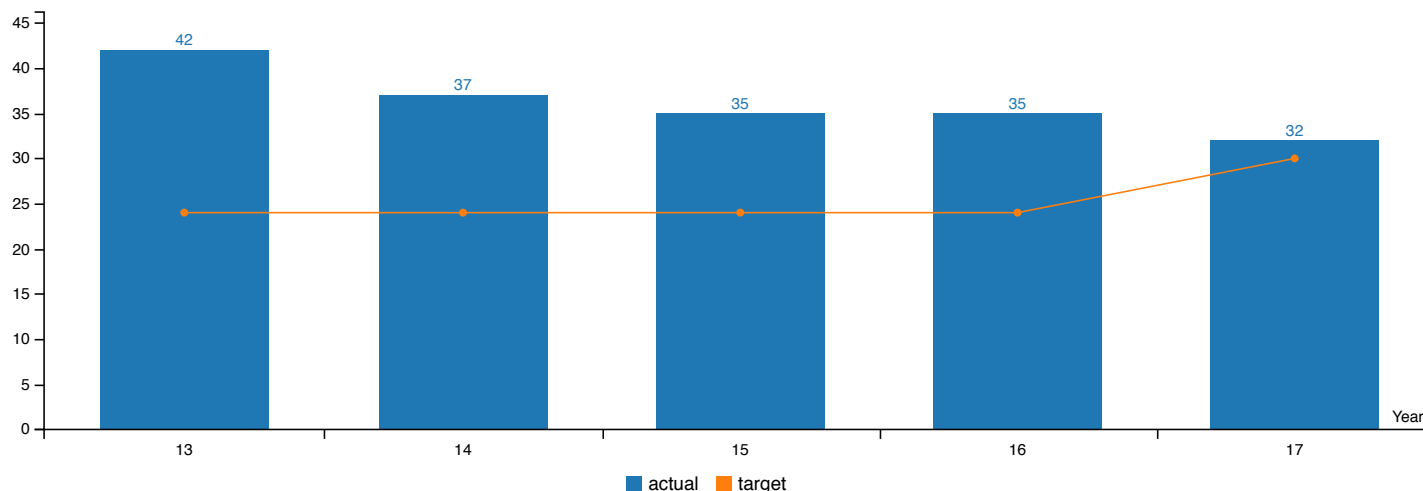
Reporting period for this KPM is January 1 - December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

Introductions of invasive noxious weed species are the direct result of trade and travel. The Noxious Weed Control Program works to prioritize limited resources for a targeted approach. This includes identification of pathways of potential new weed introductions, implementation of survey and early detection of new emerging noxious weed infestations and eradicating them before they get well established. Implementing effective biological control efforts on established widespread infestations. Successful eradication of weed speaces requires sustained efforts over a long period of time.

KPM #5	T&E Plants - Percent of listed T&E plants with stable or increasing populations as a result of department management and recovery efforts.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Threatened and Endangered Plants					
Actual	42%	37%	35%	35%	32%
Target	24%	24%	24%	24%	30%

How Are We Doing

The native plant conservation program focuses on assisting public agencies and Oregon's citizens with issues involving state protected native plants on state public lands.

In FY2016, ODA staff coordinated with 20 federal, state, and local government agencies (including the U.S. Fish and Wildlife Service, U.S. Forest Service, Bureau of Land Management, Klamath Falls and Salem regional airports, Oregon Department of Forestry, Division of State Lands, Oregon Department of Parks and Recreation, Oregon Department of Transportation, Oregon Military Department, Oregon Department of Energy, and various counties and cities) regarding listed species on public lands throughout the state. Conservation work was initiated and continued for 34 of Oregon's 59 listed plants, in 20 Oregon counties, including 15 recovery-related projects for 11 species. Of the 34 species evaluated in FY 2016, the conservation status of 23 species is considered to be generally stable, although not necessarily improving.

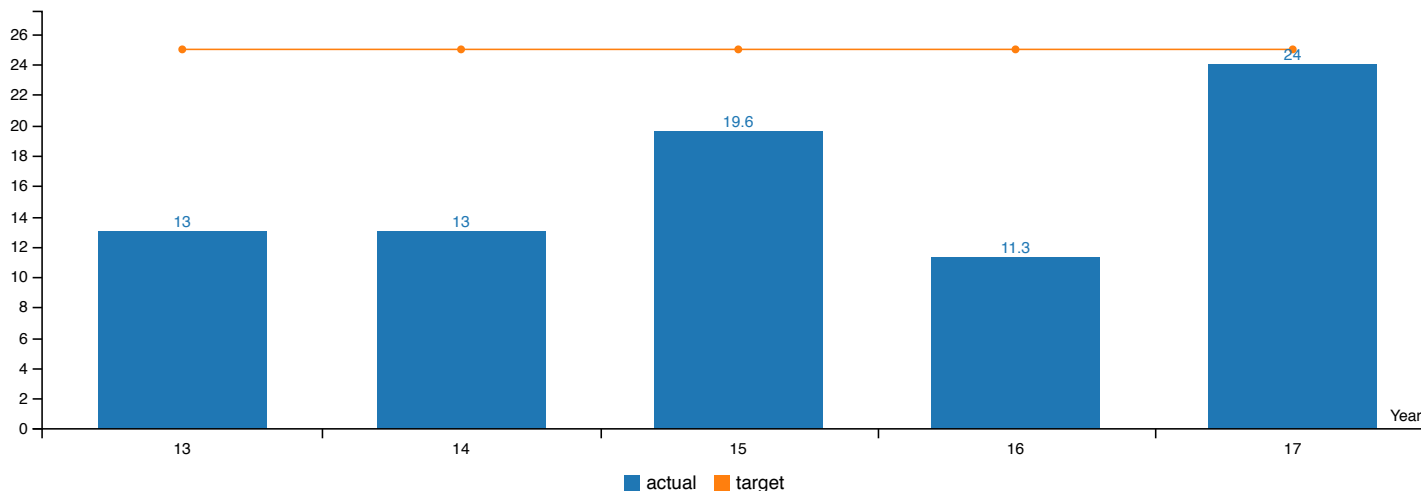
The reporting period for this KPM is January 1 - December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

The large number of native plant species in Oregon (5th highest in the U.S.) results in a comparatively heavier workload for the program relative to most other states. Minimal state resources further limit the program's ability to cope with public agency consultation requests, and affect the capacity to regularly evaluate the conservation status of listed species.

KPM #6	Pesticide Investigations - Percent of pesticide investigations that result in enforcement actions.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = negative result



Report Year	2013	2014	2015	2016	2017
Percent of pesticide investigations that result in enforcement actions.					
Actual	13%	13%	19.60%	11.30%	24%
Target	25%	25%	25%	25%	25%

How Are We Doing

The Oregon Department of Agriculture (ODA) is responsible for regulating the sale, use, and distribution of pesticide products in Oregon. ODA provides pesticide education and outreach activities; licensing of pesticide operators, applicators, and dealers; conducts routine compliance monitoring; and conducts complaint driven investigations to determine compliance with ORS 634, Pesticide Control Law. These activities reduce the potential for misuse of pesticide products that may result in adverse health or environmental harm or damage. Having actuals below target indicates greater compliance with pesticide rules which reduces the enforcement actions and indicates the education and outreach programs have been effective in informing the regulated public of requirements.

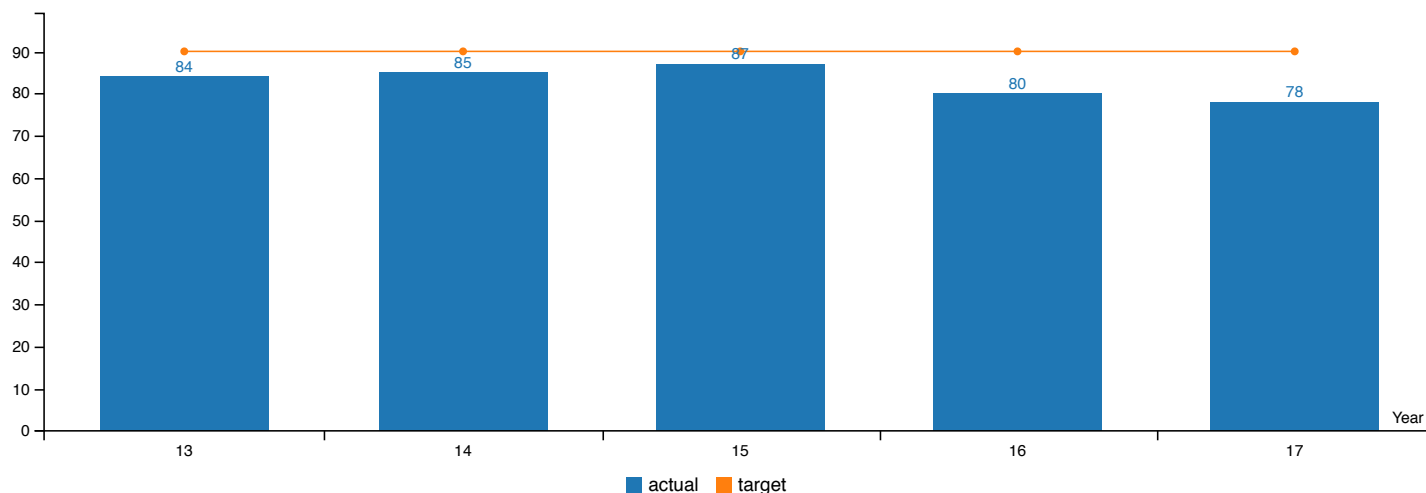
Factors Affecting Results

Factors that may affect annual results include new state or federal pesticide laws and regulations, limited staff or resources to provide education and outreach or compliance monitoring to prevent misuse, increased public awareness or concern regarding pesticide use practices, increased focus on pesticide use activities, increased focus by the regulated community to follow requirements, and trends previously documented.

The doubling of enforcement actions is related to investigations and violations associated with the growing of cannabis.

KPM #7	Non-traditional 3rd party certification services - Number of days required to process and issue certification after audit completion.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Non-traditional 3rd Party Certification Services					
Actual	84%	85%	87%	80%	78%
Target	90%	90%	90%	90%	90%

How Are We Doing

In calendar year 2017, ODA processed a total of 635 certification audits in the USDA GAP/GHP/HGAP, GFSI, and National Organic Program certification programs.

The program is currently running at 78 percent compliance with the 15 business-day benchmark.

The reporting period for this KPM is January 1 through December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

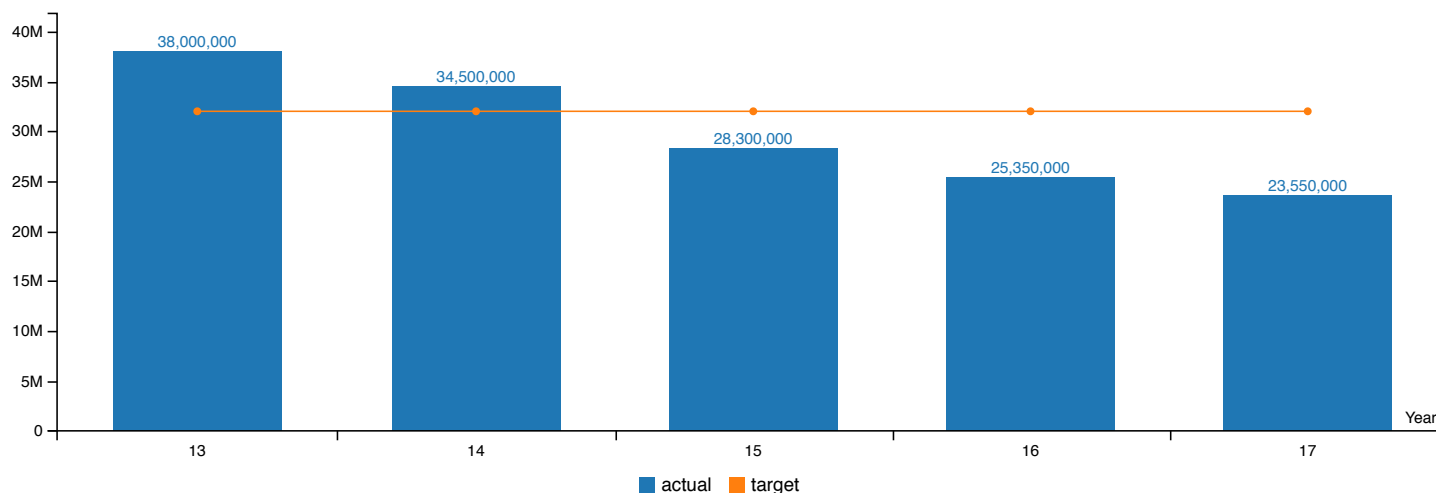
Factors Affecting Results

Factors affecting results include: staffing concerns, auditor and administrative staff workload, reliance on outside partners for key tasks, and employee accuracy and competency. Due to short staffing issues in 2017 specifically for conducting GFSI-benchmarked audits, the anticipated results were not met.

Organic certification fell short of meeting the targeted goal. USDA GAP/GHP/HGAP reports were handled in a timely manner 97 percent of the time. Only percent of GlobalGAP and PrimusGFS reports were submitted within 15 days of the audit date. USDA GAP/GHP/HGAP processing times are within the target parameter established within the cooperative agreement with USDA any delays with submissions are largely auditor-specific and not a systemic issue.

KPM #8	Trade Activities - Sales as a result of trade activities with Oregon producers and processors.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Sales as a result of trade activities with Oregon producers and processors.					
Actual	\$38,000,000.00	\$34,500,000.00	\$28,300,000.00	\$25,350,000.00	\$23,550,000.00
Target	\$32,000,000.00	\$32,000,000.00	\$32,000,000.00	\$32,000,000.00	\$32,000,000.00

How Are We Doing

Although we did not meet our sales target in 2017, the Agricultural Development and Marketing program continues to provide strong economic benefit to Oregon’s agriculture and food processing industry. In this uncertain export environment for many of our agricultural and food sectors, the program works diligently on several market access and business development issues. Although export values are not back to pre-2015 levels, Oregon shippers experienced an upturn in overall exports in the 2017 calendar year. Oregon export values to China and Taiwan remained flat or decreased slightly. But exports values to Japan, South Korea and Canada increased. Continuing to embrace new markets and adapt to changing market conditions is imperative for Oregon agriculture to be competitive.

The program continues to explore and analyze markets as Oregon transitions from an exporter of primarily raw commodities, to a mature mix of commodity and value-added goods. Local, domestic and institutional markets are a great opportunity for many of Oregon’s food and beverage companies. Strong local and domestic trade shows like the “Taste of the Northwest” and Natural Products Expo, the farm to school program and farmers market networks continue to enhance our position as a trustworthy advocate of these goods.

The Market Access and Certification Program provides additional critical services not captured through sales numbers. Whether working through government to government technical issues to release goods into foreign markets, administering the the Machinery and Equipment program or preparing producers for institutional markets, these efforts directly and positively impact Oregon’s agricultural industry.

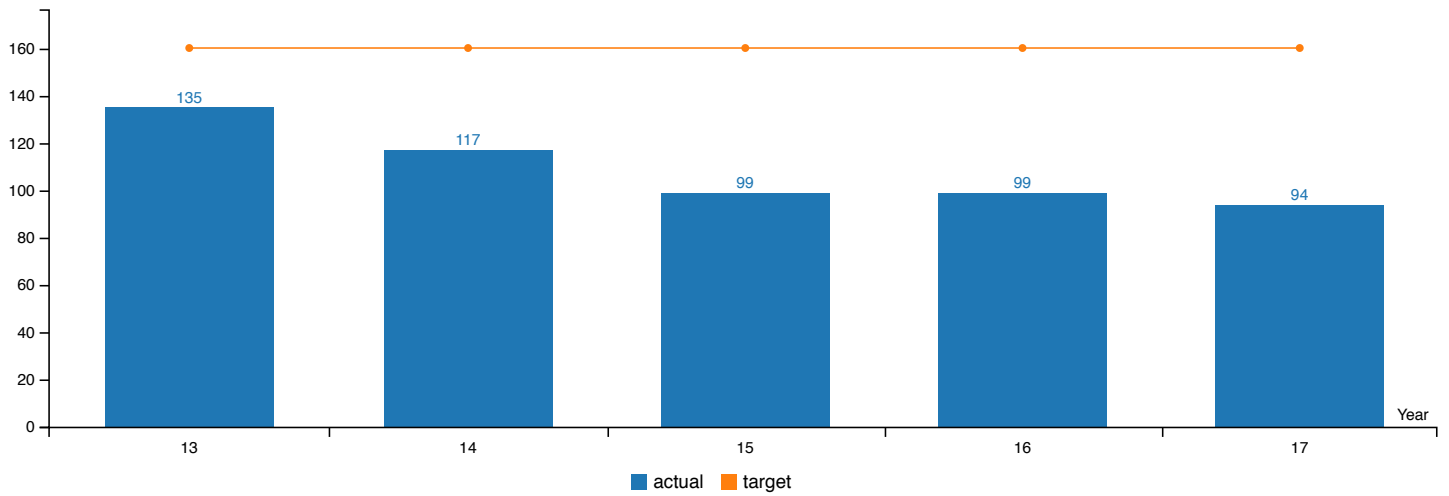
The reporting period for this KPM is January 1 through December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

The strong dollar tends to make high quality, high value agricultural goods more expensive for our emerging markets, particularly in Asia, and slows total volumes and sales. The industry continues struggling to regain market share in many Asian markets in the aftermath of the west coast port issues that occurred at the end of the 2014. An uncertain trade environment with many of the United States' key trading partners may have hindered the acceptance of Oregon agricultural goods as well. Results were also affected by the reduction in staffing levels for the Ag Development & Marketing Program during calendar year 2017. As a result, some market development activities were suspended. A Program Option Package to add an additional position has been submitted in the 2019-2021 Oregon Department of Agriculture Agency Request budget. The Program will continue to seek input from industry stakeholders by establishing a more formalized way to identify market development and promotion opportunities and review Program priorities for market development and promotion activities.

KPM #9	Ag Employment - Number of jobs saved or created as a result of activities to retain or expand existing Oregon agricultural and food processing capacity. Measured in numbers of jobs based on telephone and email surveys of companies assisted.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Ag Employment					
Actual	135	117	99	99	94
Target	160	160	160	160	160

How Are We Doing

The program has not met its target for this measure for the past several years and is looking for a better way to measure performance in business development and recruitment activities. The actual goal of recruiting agricultural and food processing companies in Oregon still remains valid, but measuring by only jobs created or retained causes some inconsistencies in actually promoting economic growth. The program is looking for ways to better measure performance in recruitment and expansion efforts and looking to work with our partners in other economic development agencies to look at joint reporting and consistent measurement options.

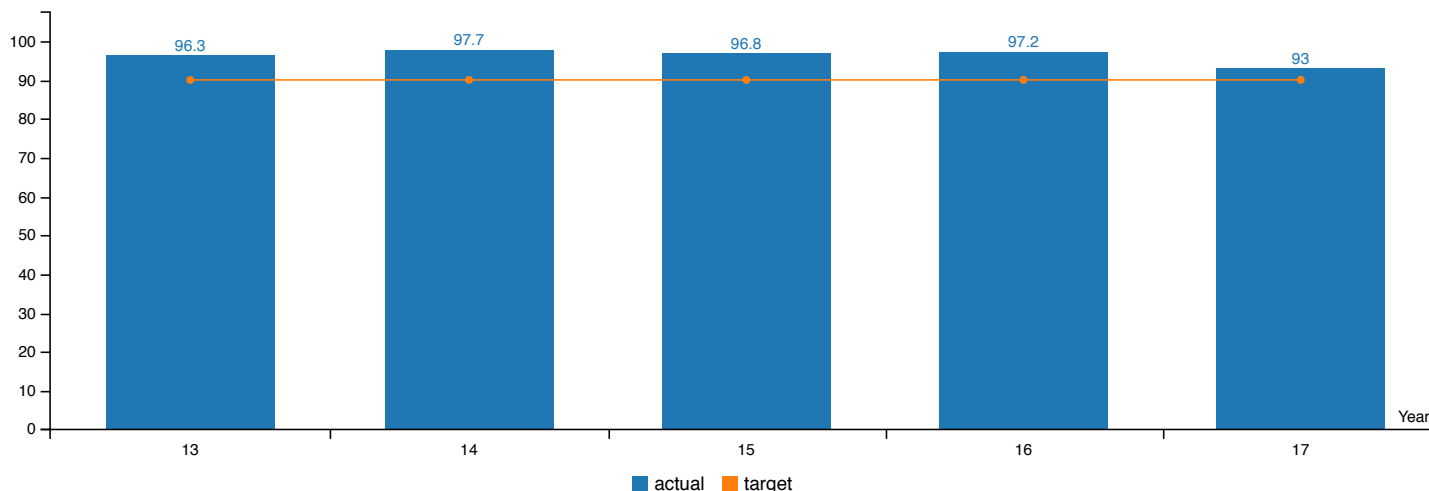
The reporting period for this KPM is January 1 through December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

Many existing Oregon agricultural and food processing companies are growing and expanding, but jobs may be reduced due to increases in technology and sophistication of equipment. Jobs measured on a yearly basis are also difficult to maintain, as large development and recruitment efforts are long term projects and don't consistently produce jobs year on year.

KPM #10	CAFOs - Percent of permitted Oregon Confined Animal Feeding Operations (CAFOs) found to be in compliance with their permit during annual inspections.
	Data Collection Period: Jan 01 - Dec 31

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Percent of permitted Oregon Confined Animal Feeding Operations (CAFOs) found to be in compliance with their permit during annual inspections					
Actual	96.30%	97.70%	96.80%	97.20%	93%
Target	90%	90%	90%	90%	90%

How Are We Doing

The Federal Clean Water Act provides for the regulation of confined animal feeding operations (CAFO) under a National Pollutant Discharge Elimination System (NPDES) permit. This authority has been granted to Oregon through an agreement with the US Environmental Protection Agency (EPA).

This measure demonstrates compliance of permitted CAFOs with state and federal water quality laws. The measure also allows ODA to bring swift resolution of permitted CAFOs in violation of permit or water quality laws and rules. Overall most facilities are able to operate in compliance with the permit. The ODA continues to work with all permittees to address challenges in meeting the requirement of the permit.

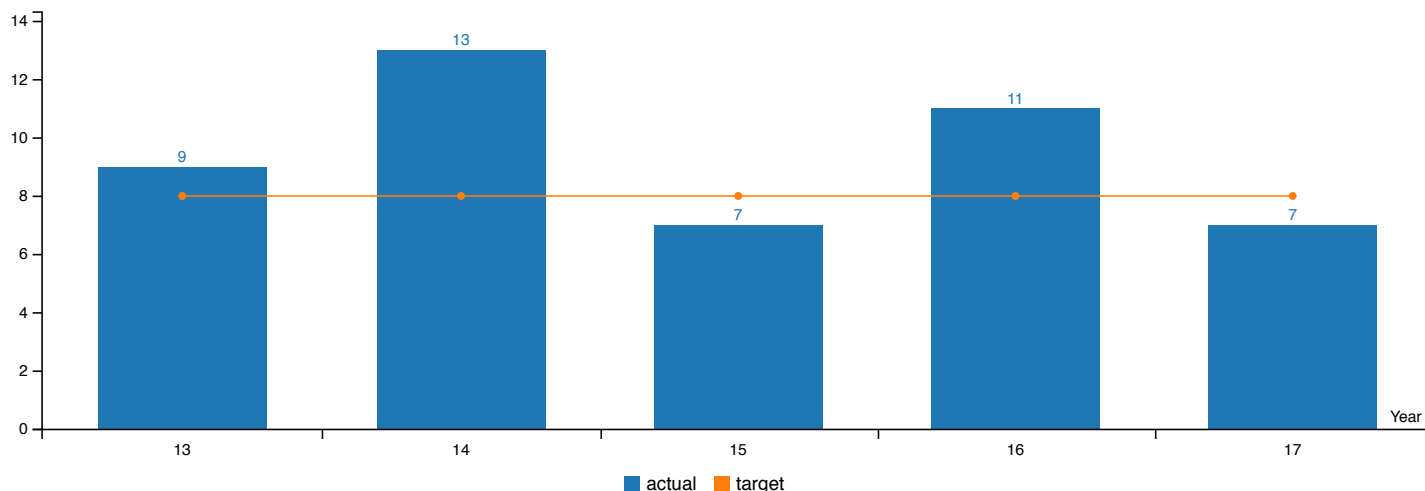
The reporting period for this KPM is January 1 - December 31. Results for 2018 are pending as the Oregon Department of Agriculture (ODA) does not report partial data. ODA will update this KPM once the reporting period has closed.

Factors Affecting Results

Change in ownership of CAFOs, technology available to operators, and weather conditions all affect compliance with the state permit. On going staff interaction with operators using a progressive compliance approach is necessary to prevent problems or address them while they are small.

KPM #11	Smoke Management - No increase above 2002 levels in hours of 'significant smoke intrusions' due to field burning in key cities in the Willamette Valley as measured by nephelometer readings.
Data Collection Period: Jul 01 - Oct 15	

* Upward Trend = negative result



Report Year	2013	2014	2015	2016	2017
Metric Value					
Actual	9	13	7	11	7
Target	8	8	8	8	8

How Are We Doing

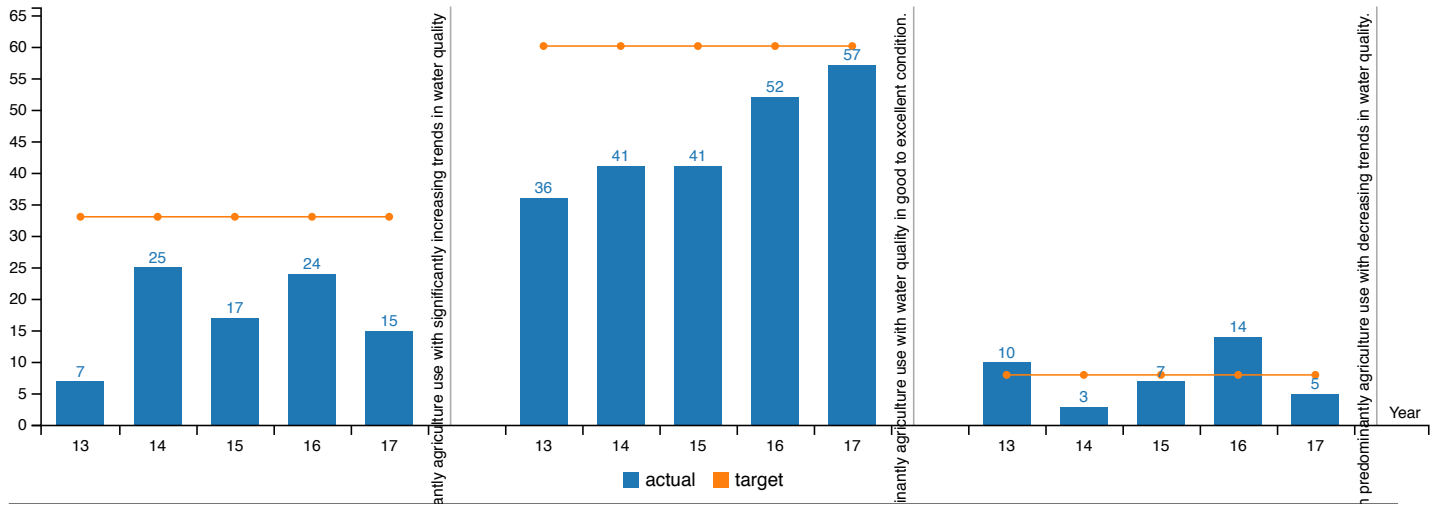
In the Silverton Hills of Marion County and a small section of northwestern Linn County, grass seed and cereal grain residue is burned following harvest (primarily July-September). Field burning is conducted following careful meteorological examination to ensure maximum smoke evacuation, while reducing the potential of smoke “impacts” on the public. Precise prediction of weather patterns conducive to complete evacuation is an inexact science.

Factors Affecting Results

Many meteorological factors are considered prior to field ignition. Wind speed and direction, mixing heights (how high the smoke will go), humidity, and other factors are evaluated prior to the release of field burning permits. Once a permit is issued, the producer has one hour to ignite the field.

Another consideration is field location. Some fields require southerly wind components. In others northerly components are necessary. Each field burning season, the predominant wind direction can change. In the Willamette Valley, a field’s location in relation to dominant prevailing winds has great effect on the number of impacts recorded. Consequently, the number of impacts can vary depending upon any given year’s prevailing wind direction, field location, and the locations of air quality samplers. For example, three samplers are located contiguously from Lyons, then “up-canyon” in Mill City and Detroit. These sampler locations may register smoke impacts redundantly.

KPM #12	Water Quality - Percent of monitored stream sites associated with predominantly agriculture use with significantly increasing trends in water quality.
	Data Collection Period: Jan 01 - Dec 31



Report Year	2013	2014	2015	2016	2017
Percent of monitored stream sites associated with predominantly agriculture use with significantly increasing trends in water quality					
Actual	7%	25%	17%	24%	15%
Target	33%	33%	33%	33%	33%
Percent of monitored stream sites associated with predominantly agriculture use with water quality in good to excellent condition.					
Actual	36%	41%	41%	52%	57%
Target	60%	60%	60%	60%	60%
Percent of monitored stream sites associated with predominantly agriculture use with decreasing trends in water quality.					
Actual	10%	3%	7%	14%	5%
Target	8%	8%	8%	8%	8%

How Are We Doing

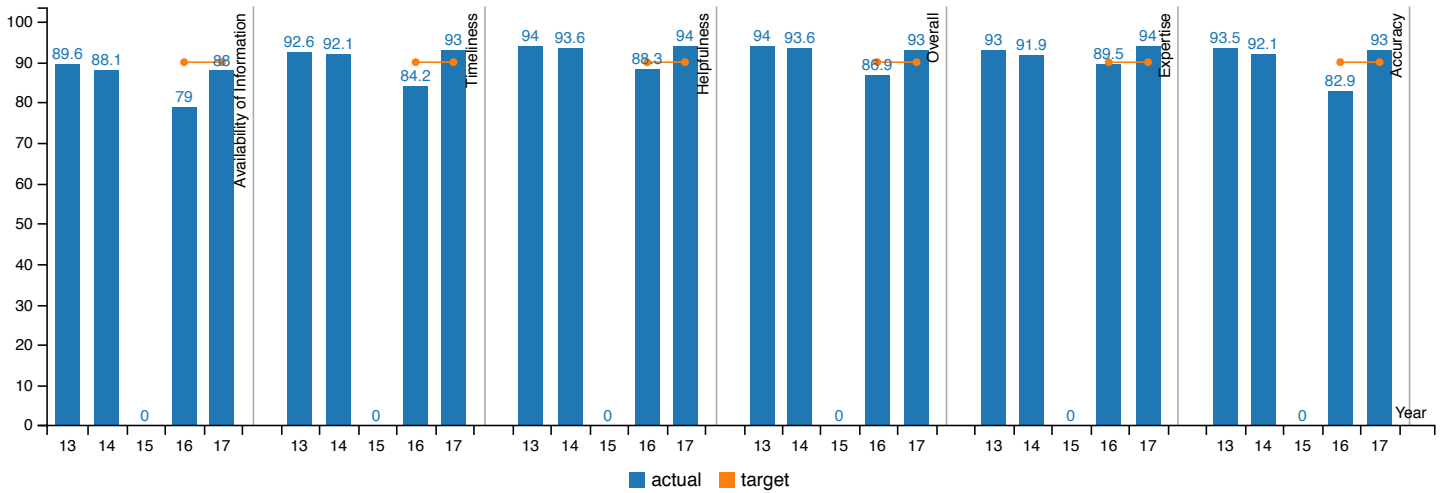
The Oregon Department of Agriculture (ODA) uses a combination of educational efforts and regulatory actions to encourage Oregon's agricultural producers to maintain and enhance water quality. This is accomplished through 38 basin plans created in response to legislation established in 1993. Partners include the agricultural community, soil and water conservation districts, Oregon Watershed Enhancement Board, USDA Natural Resources Conservation Service (NRCS), and Oregon State University (OSU) Extension Service.

This measure was established in 2005 using the DEQ data pertinent to agriculturally dominated areas.

Factors Affecting Results

ODA has worked with partners to add a strategic approach to our education and regulatory work. Through an effort called Coordinated Streamside Management, ODA works with partners to identify small watersheds for focused outreach, regulatory work, technical and financial assistance, and long-term monitoring. ODA assess ag lands and based on opportunities for improvement, pursue voluntary and regulatory tools to achieve compliance with water quality rules and attainment of water quality goals.

KPM #13 Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.
Data Collection Period: Jan 01 - Dec 31



Report Year	2013	2014	2015	2016	2017
Availability of Information					
Actual	89.60%	88.10%	No Data	79%	88%
Target	TBD	TBD	TBD	90%	90%
Timeliness					
Actual	92.60%	92.10%	No Data	84.20%	93%
Target	TBD	TBD	TBD	90%	90%
Helpfulness					
Actual	94%	93.60%	No Data	88.30%	94%
Target	TBD	TBD	TBD	90%	90%
Overall					
Actual	94%	93.60%	No Data	86.90%	93%
Target	TBD	TBD	TBD	90%	90%
Expertise					
Actual	93%	91.90%	No Data	89.50%	94%
Target	TBD	TBD	TBD	90%	90%
Accuracy					
Actual	93.50%	92.10%	No Data	82.90%	93%
Target	TBD	TBD	TBD	90%	90%

How Are We Doing

ODA's mission is to ensure healthy natural resources, environment, and economy for Oregonians now and in the future through inspection and certification, regulation, and promotion of agriculture and food. ODA's strategy to employ core values that guide the actions of employees as they carry out the mission of the agency in a way that provides customer satisfaction. ODA conducts its customer survey on a randomly selected group of individuals (complier, consumer, and consituent) who have had recent contact with the agency. The survey is conducted for three months and is performed during a different quarter each year. The above data was collected from July 1 through September 30, 2017.

Factors Affecting Results

One factor that could possibly affect survey results is the sampling time frame. Many ODA programs are cyclical and may be under or over represented at different time frames throughout the year. The ODA rotates the sampling time period in an attempt to include all types of agency customers. ODA will continue to provide quality customer service and will continue to conduct customer satisfaction surveys on an annual basis.

Oregon Department of Agriculture – Customer Service Survey Summary 2018

September – December 2018

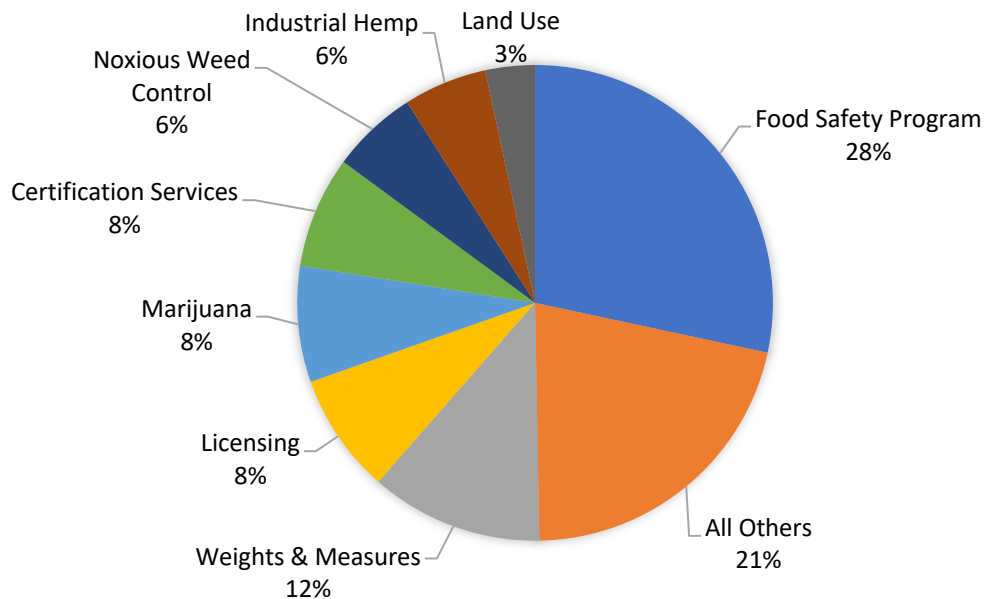
Distributed via email, postcard (mailed and hand delivered) website, social media

Received 1040 responses.

Primary source for referral (74.3%) was via email (signature and listserv).

- Complier: 755 (72.6%)
- Consumer: 138 (13.3%)
- Constituent: 147 (14.1%)

Programs with feedback



Overall agency ratings

Note: Percentages exclude "I don't know" responses from the total.

Overall Service: 88% – Excellent & Good = 899

Fair = 76, Poor = 41, I don't know = 24, Valid responses = 1040

Timeliness: 89% – Excellent & Good = 712

Fair = 60, Poor = 32, I don't know = 27, Valid responses = 831

Accuracy: 90% – Excellent & Good = 900

Fair = 66, Poor = 35, I don't know = 39, Valid responses = 1040

Helpfulness: 89% – Excellent & Good = 898

Fair = 67, Poor = 48, I don't know = 27, Valid responses = 1040

Expertise: 90% – Excellent & Good = 907

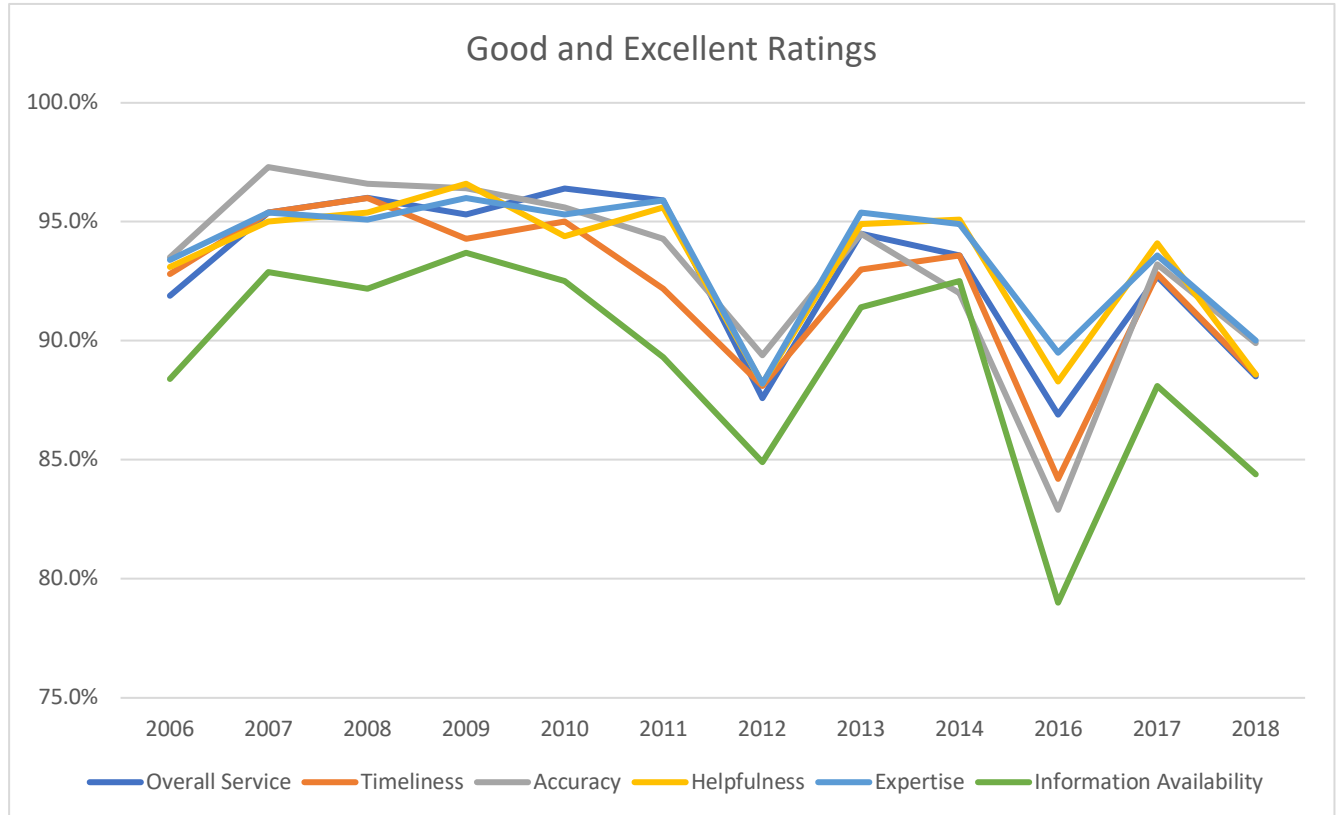
Fair = 75, Poor = 26, I don't know = 31, Valid responses = 1039

Availability of info: 84% – Excellent & Good = 853

Fair = 102, Poor = 56, I don't know = 29, Valid responses = 1040

Comparison of past excellent/good ratings

Note: Percentage represent combined excellent and good ratings and exclude “I don’t know” responses from the total.



Excellent/good ratings by customer type

Note: Customer type is self-categorized by survey respondent. Response total varies by question as some respondents may have skipped questions. Percentages represent combined excellent and good ratings and exclude “I don’t know” responses from the total.

	Complier (755)	Constituent (147)	Consumer (138)
Overall Service	89%	89%	85%
Timeliness	89%	82%	89%
Accuracy	90%	92%	87%
Helpfulness	89%	89%	87%
Expertise	91%	91%	86%
Info Availability	84%	87%	82%

STRATEGIC PLAN

- Presented plan to legislature in November 2017
- Selected FY 18-19 priorities in September 2018
 - Over 208 individuals provided feedback
- Developed program area level objectives and key results to support priorities
- Tracking progress of objectives and key results
 - Increased Customer Service Survey responses from 215 (2017) to 1040 (2018)
 - Trained 15+ staff in strategy management practices
 - Launching internal leadership training program



KEY OBJECTIVES

- Operate as a role model organization
- Operate in a culture of compliance and support
- Embrace a culture of collaboration
- Foster employee excellence – *FY18-19 Priority*
- Provide excellent customer service recognizing the diversity of Oregon agriculture – *FY18-19 Priority*
- Connect & promote Oregon food & agriculture as a valued experience for consumers & an exciting career choice
- Strive for clear, concise, & inclusive communication





Oregon Department of Agriculture 2019-21 Governor's Budget

	2017-19 Legislatively Approved Budget	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	\$ 23,529,248	\$ 25,206,997	25,970,304
Lottery Fund	10,360,960	7,366,847	7,570,661
Other Funds	68,154,857	71,565,017	73,488,500
Federal Funds	17,615,623	15,857,812	17,371,337
Total Funds	119,660,688	119,996,673	124,400,802
Positions	505	475	495
Full-Time Equivalent (FTE)	376.86	359.09	378.53

2019-21 Significant Changes

Analyst Adjustments – Package 090

Includes reductions to mitigate gap in available General Fund dollars (\$904,053 Total GF):

- Elimination of special payments to fund the Predator Control Program – (\$481,840)
- Establishment of a State Natural Resource Agency Grants Coordinator position housed at ODA to assist in finding opportunities to leverage federal funds - \$294,099
- Personal Services reductions for vacancy savings – (\$546,540)
- S&S reductions in standard inflation – (\$64,812)
- S&S reductions based on 17-19 projections – (\$104,960)

Policy Packages - Recommended

- 110 - Internal Audit Function** \$60,913 GF / \$192,896 OF / Total \$253,809: Requests to establish a Chief Audit Executive position to be responsible for ODA internal audit activities.
- 140 - Limitation for Merchant Fees** \$200,000 OF: Requests Other Funds limitation for payment of merchant fees.
- 230 - Food Safety Fee Increase (LC 453)** \$107,233 OF Revenue – Allows Food Safety Program to increase license fees up to 3% annually.
- 260 - Agency Lab Consolidation Planning** \$200,000 OF: Requests Other funds to explore the opportunity to relocate the regulatory lab and to consolidate ODA laboratories.
- 270 - Weights & Measures Fee Cap Increase (LC 450)** \$102,649 OF Revenue – Increases statutory maximum license fees to allow Weights & Measures Program to administratively increase fees.
- 280 - Food Safety Fee Ratification** \$212,163 OF Revenue – Requests to ratify an administrative fee increase.
- 290 - Weights & Measures Fee Ratification** \$679,780 OF Revenue – Requests to ratify two administrative fee increases.
- 295 - Avian Influenza Limited Duration Position** \$152,486 FF: Requests to continue Federal Funds limited duration position.
- 330 - Klamath Ag Water Quality Monitoring** \$100,000 GF: Requests General Fund to support ODA's work with partner agencies and landowners to understand and address water quality issues associated with agricultural lands around Klamath Lake.
- 340 - CAFO Fee Increase (LC 455)** \$171,899 OF Revenue – Increases annual permit fee caps in statute for Confined Animal Feeding Operations (CAFO) and increases new application fees for individual NPDES CAFO permits.
- 350 - Lower Umatilla Groundwater Monitoring and Coordination** \$250,000 GF: Requests General Fund to provide leadership and facilitation to stakeholders in the Lower Umatilla Basin Groundwater Management Area (GWMA), develop measurable objectives, and identify monitoring needs.
- 370 - Worker Protection Standard Training** \$204,203 OF: Requests an Other Funds position for education, training, and technical assistance under the federal Worker Protection Standard and related state laws.
- 385 - Align Pesticide Stewardship Prgm Funding** (\$7,792) GF / \$7,792 OF / Total \$0: Aligns budget categories for the Pesticide Stewardship Partnership program to ensure activities are split 50-50 General Fund and Other Funds.
- 390 - Fertilizer Registration Staffing** \$202,741 OF: Requests a position in the Fertilizer program to continue providing customer service and consumer protection.

Policy Packages – Recommended continued

- 410 - Market Development & International Marketing** \$371,983 GF: Requests General Fund for a Trade Development Specialist position to develop and promote market access for Oregon products and maintain relationships with Oregon trading partners.
- 430 - Food Safety Modernization Act** \$1,400,000 FF: Requests to continue Federal Funds and four limited duration positions related to the Food Safety Modernization Act (FSMA).
- 450 - Certifications Fee Ratification** \$325,232 OF Revenue – Requests to ratify an administrative fee increase.

Policy Packages - Recommended as Modified

- 240 - Laboratory Equipment Replacement & Operations** \$846,224 GF / \$419,826 OF / Total \$1,266,050: Requests equipment replacement, preventative maintenance, audit and performance testing associated with ISO accreditation requirements, and software licensing fees. The package also requests to add an Operations Manager.
- Modified to fund the equipment component only \$600,000 GF
- 310 - Strategic Implementation Area** \$1,700,000 GF: Requests General Fund and four positions to expand ODA's work with partner agencies and organizations to achieve water quality goals in small agricultural watersheds.
- Modified to \$463,609 GF including two positions
- 320 - Japanese Beetle Eradication Funding** \$2,403,742 LF: Requests to continue one-time M76 Lottery Funds and 13 limited duration positions to continue Japanese Beetle eradication efforts.
- Modified to fund \$141,278 LF due to available resources
- 380 - Invasive Species Council Base Funding** \$100,000 LF: Requests additional M76 Lottery Funds to support Invasive Species Council activities and contracting for the Invasive Species Council coordinator.
- Modified to fund \$99,881 LF
- 395 - Plant Program Staffing** \$370,196 OF: Requests additional staffing in the plant programs.
- Modified to remove requested position reclassification in the Hemp Program - \$361,762 OF
- 440 - Shipping Point Staffing** \$569,822 OF: Requests three Shipping Point Assistant Manager positions.
- Modified to remove requested position reclassification in the Shipping Point Program - \$565,098 OF
- 461 - Legal Cost Limitation** \$252,000 GF / \$354,000 OF / Total \$606,000: Requests additional General Fund and Other Funds for Attorney General costs.
- Modified to remove (\$252,000) GF and reduce (\$21,064) OF

Policy Packages - Not Recommended

- 120 - IT Security & Investments** \$215,709 GF / \$683,083 OF / Total \$898,792: Requests three positions, a business analyst, a project manager, and an IT security analyst, to fill gaps in solution development processes and procedures.
- 130 - Administrative Overhead Parity** \$766,534 GF / (\$766,534) OF / Total \$0: Requests General Fund for the administrative program area to maintain parity with the various funds sources of the programs it supports.
- 210 - Food Safety Funding** \$1,470,431 GF / (\$1,470,431) OF / Total \$0: Restores General Fund support for the Food Safety program.
- 220 - Cannabis Funding** Placeholder
- 250 - Food Safety Data Analyst** \$236,113 OF: Requests Other Funds to support a new Food Safety Data Analyst position to reduce inspection backlog and better track and analyze data to inform decisions.
- 360 - Strengthening State Noxious Weed Program** \$949,495 GF / (\$106,040) OF / (\$581,060) FF/ Total \$262,395: Proposes to partially shift the Invasive Noxious Weed Control program from Federal Funds to General Fund, and adds one Invasive Aquatic Weeds Specialist.
- 420 - Oregon Promotion and Branding** \$250,000 GF: Requests General Fund to work with stakeholders to discover, develop, create, and implement a brand for the Oregon food and agriculture industry.
- 471 - Agency Position Changes** \$202,106 GF / (\$191,825) OF / Total \$10,281: Requests permission to reclassify positions.
- 481 - Deferred Maintenance** \$43,540 OF: Requests at least two percent of the current replacement value of ODA state-owned buildings and infrastructure.

Statewide Adjustments

- Package 091 represents changes to State Government Service Charges and DAS pricelist charges for services made for the Governor's Budget. It reduces (\$169,646) GF, (\$37,252) LF, (\$318,125) OF, and (\$38,744) FF for a total reduction of (\$563,767).
- Package 092 reduces Attorney General rates by 5.95 percent to reflect changes in the Governor's Budget. It reduces (\$1,707) GF, (\$93) LF, (\$25,820) OF and (\$217) FF for a total reduction of (\$27,837).

Agriculture (ODA)															
2019-2021 Biennium															
Detail of Reductions to 2019-21 Current Service Level Budget															
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
First 5% Reduction - General Fund															
1		ODA	Natural Resource Policy Area	Plant Conservation Biology/This program focuses on protection of threatened and endangered native plants.	(114,349)			114,349		-			No	One-Time fund shift General Fund support for program to Federal Funds	
2		ODA	Food Safety/ Consumer Protection Policy Area	Predator Control/This program is a cooperative activity with USDA Wildlife Services and Oregon counties. It Functions to reduce losses to agricultural producers by predatory animals.	(481,840)					(481,840)			Yes	Eliminates pass through money. Reduction in General Fund budget for the USDA Wildlife Services Predator Control Program will result in significant cutbacks in county funding for predator control activities at the local level. A decline in predator control activities will result in significant loss from predation in livestock herds and flocks in areas of diminished control efforts.	
3		ODA	Natural Resource Policy Area	Pesticides Analytical Response Center/Provides an unbiased review of alleged pesticides poisonings in Oregon.	(370,870)		370,870			-			No	One-Time fund shift General Fund support for program to Pesticide License fees	
4		ODA	Natural Resource Policy Area	Noxious Weed Control/This program's function is to protect Oregon's natural resources and agricultural economy from invasive noxious weeds through integrated control efforts. This includes early detection rapid response, biological control and providing technical assistance and grants to local land managers.	(293,291)	293,291				-			No	One-Time fund shift General Fund support for program to Lottery Funds	
				First reduction subtotal	(1,260,350)	293,291	370,870	-	114,349	-	(481,840)	-	-		
				Target	(1,260,350)										
				Difference	-										
Second 5% Reduction - General Fund															
5		ODA	Natural Resource Policy Area	Noxious Weed Control/This program's function is to protect Oregon's natural resources and agricultural economy from invasive noxious weeds through integrated control efforts. This includes early detection rapid response, biological control and providing technical assistance and grants to local land managers.	(295,031)	295,031				-			No	One-Time fund shift remaining General Fund support for program to Lottery Funds	
6		ODA	Natural Resource Policy Area	Pesticide Stewardship Partnership/Identifies potential concerns and improves water quality affected by pesticide use around Oregon.	(965,319)					(965,319)			No	Eliminates General Fund Support to Oregon Department of Environmental Quality for Pesticide Stewardship Partnership Program	
				Second reduction subtotal	(1,260,350)	295,031	-			(965,319)	-	-			
				Target	(1,260,350)										
				Difference	-										
				Grand total all reductions	(2,520,700)	588,322	370,870	0	114,349	0	(1,447,159)	-	-		

General Fund Target Difference (2,520,700) -

Agriculture (ODA)

2019-2021 Biennium

Detail of Reductions to 2019-21 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
First 5% Reduction - Lottery Funds															
1	ODA	Natural Resource Policy Area	Invasive Species Council/The purpose of the Oregon Invasive Species Council (OISC) shall be to conduct a coordinated and comprehensive effort to keep invasive species out of Oregon and to eliminate, reduce, or mitigate the impacts of invasive species already established in Oregon.		(56,026)					(56,026)			No	Eliminate Lottery Funds support for the Oregon Invasive Species Council	
2	ODA	Natural Resource Policy Area	Noxious Weed Control/This program's function is to protect Oregon's natural resources and agricultural economy from invasive noxious weeds through integrated control efforts. This includes early detection rapid response, biological control and providing technical assistance and grants to local land managers.		(217,863)			217,863		-			No	One-Time fund shift a portion of a Natural Resource Specialist 4 from Lottery Funds to Federal Funds. One-Time fund shift assumes that program will receive sufficient Federal Funds to Support the Position. This Position is critical for the biological control program of noxious weeds.	
3	ODA	Natural Resource Policy Area	Soil and Water Conservation Districts/This activity provides for utilization of Oregon's 45 Soil and Water Conservation Districts to provide technical assistance to landowners and land managers to implement conservation measures and watershed enhancement projects and support of Oregon's Agricultural Water Quality management program, the Oregon Plan for salmon and watersheds.		(94,454)					(94,454)		(0.25)	No	Eliminates a portion of a position in the Soil and Water Conservation Districts Program	
First reduction subtotal				-	(368,343)	-	-	217,863	-	(150,480)	-	(0.25)			
Target Difference					(368,343)										
Second 5% Reduction - Lottery Funds															
4	ODA	Natural Resource Policy Area	Soil and Water Conservation Districts/This activity provides for utilization of Oregon's 45 Soil and Water Conservation Districts to provide technical assistance to landowners and land managers to implement conservation measures and watershed enhancement projects and support of Oregon's Agricultural Water Quality management program, the Oregon Plan for salmon and watersheds.		(209,225)					(209,225)	(1)	(0.75)	No	Eliminates remaining portion of a position in the Soil and Water Conservation Districts Program	
5	ODA	Natural Resource Policy Area	Insect Pest Prevention and Management/This program includes exclusion, detection and eradication of harmful plant pests such as gypsy moth and Japanese beetle.		(159,117)					(159,117)	(3)	(1.26)	No	Eliminate Three IPPM Laborer positions. Elimination of these seasonal survey technicians will significantly impact the program in its response to invasive pest invasion and management.	
Second reduction subtotal				-	(368,342)	-	-	-	-	(368,342)	(4)	(2.01)			
Target Difference					(368,342)										
Grand total all reductions				-	(736,685)	-	-	217,863	-	(518,822)	(4)	(2.26)			

Lottery Funds Target Difference (736,685)

DAS Vacant Position Report
Period End 12/31/18

Program	Position #	Pos Type	Position Title	FTE	Anticipated Fill Date	Reason Position Has Been Vacant (Please Choose from Drop Down List)	If *Other - Please Specify Reason (Please Describe in the position description)	GF Salary	OF Salary	FF Salary	LF Salary	# of Months Vacant	
												7 - 12	12 +
Admin Svcs	0148030	PF	Info Systems Spec 7	1.00	4/1/19	11 - * Other	In the process of restructuring job duties & position description	38,530	154,118	0	0	X	
Food Safety	1300005	PF	PEM C	1.00		7 - Position used to finance unbudgeted costs		48,990	111,162	0	0		X
Food Safety	1927001	LF	Nat Resource Spc 3	1.00		11 - * Other	Position to phase out and the end of the b	0	0	116,640	0		X
Food Safety	1927002	LF	Nat Resource Spc 3	1.00		11 - * Other	Position to phase out and the end of the b	0	0	116,640	0		X
Food Safety	1927003	LF	Nat Resource Spc 3	1.00		11 - * Other	Position to phase out and the end of the b	0	0	116,640	0		X
Food Safety	1925002	LF	Nat Resource Spc 3	1.00		11 - * Other	Related to policy option package 430 - Pos	0	0	166,640	0		X
Food Safety	1925003	LF	Nat Resource Spc 3	1.00		11 - * Other	Related to policy option package 430 - Pos	0	0	166,640	0		X
Food Safety	1925004	LP	Office Specialist 2	0.50		11 - * Other	Related to policy option package 430 - Pos	0	0	32,592	0		X
Animal Health	0142390	PP	Livestock Brand Insp	0.04	2/1/19	2 - Filled or in process of being filled		0	3,150	0	0	X	
MSD	1928502	PF	Compliance Spc 2	0.92		10 - No available funds to finance the position	Waiting for fee increase to fund position	0	92,744	0	0		X
Natural Resources	0533580	PF	Office Manager 1	1.00		4 - Vacant due to pending reclass process	Part of policy option package #471	77,448	0	0	0		X
CAFO	0745140	PF	Nat Resource Spc 4	0.73		8 - Position used to finance another position		0	93,716	0	0		X
SWCD	1300007	PF	Program Analyst 3	1.00		6 - Position held open to accumulate savings		0	0	0	170,736	X	
Weed	0141240	SF	Laborer 2	0.13		3 - Seasonal job	Project specific position	0	0	9,615	0		X
IPPM	1900001	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	34,560	X	
IPPM	1900002	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900003	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900004	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900005	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900006	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900007	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900008	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900009	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900010	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900011	LF	Nat Resource Spc 1	0.54	3/1/19	2 - Filled or in process of being filled		0	0	0	45,500	X	
IPPM	1900012	LF	Nat Resource Spc 2	0.75	4/1/19	2 - Filled or in process of being filled		0	0	0	72,396	X	
IPPM	1900013	LF	Nat Resource Spc 4	0.75	4/1/19	2 - Filled or in process of being filled		0	0	0	96,174	X	
CID/Ship/Seed/HHG	0139120	PF	PEM F	1.00	2/1/19	2 - Filled or in process of being filled		0	77,674	0	0	X	
Plant Health in CID	0397270		Laborer 2	0.80	8/1/19	3 - Seasonal job		0	9,750	37,079	0	X	
Plant Health in CID	0397280		Laborer 2	0.80	8/1/19	3 - Seasonal job		0	9,750	37,079	0		X
Shipping Point	0140110	SP	Agricultural Worker	0.19	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	10,976	0	0		X
Shipping Point	0140290	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140610	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140810	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140890	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0140960	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140970	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140980	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140990	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141190	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141550	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141560	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141590	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141630	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0141640	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0141650	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144340	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144410	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144420	SP	Agricultural Worker	0.04	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	2,355	0	0		X
Shipping Point	0144440	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144460	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144480	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144510	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144600	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144620	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144670	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	1743001	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Shipping Point	1743002	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Shipping Point	1743003	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Shipping Point	1743004	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Ag Development	0692440	PF	Ops & Policy Analyst 3	1.00		6 - Position held open to accumulate savings		128232	0	0	0	X	

Oregon Department of Agriculture
Summary of long-term vacancies
Quarter ending December 2018

Reason	Policy Area	Function	Total positions	FTE
Vacancies open for 7-11 months				
Seasonal job / Project specific	Natural Resources and Market Access & Certification	Biological Technicians; Laborer	11	4.10
Filled or in the process of being filled	Food Safety/Consumer Protection, Natural Resources and Market Access & Certification	Livestock Brand Inspector; Natural Resource Spec 1, 2 & 4; and Exec Manager F	5	3.08
Positions used to finance unbudgeted costs or other positions.	Natural Resources and Market Access & Certification	Program Analyst 3; Ops & Policy Analyst 3	2	2.00
In the process of restructuring duties & job description	Administrative Services	Info Systems Spec 7	1	1.00
Vacancies open 12 months or more				
No available funds to finance the position	Food Safety/Consumer Protection	Compliance Spec 2	1	0.92
Seasonal job / Project specific	Natural Resources and Market Access & Certification	Laborer; Shipping Point Insp 2; Agricultural Worker	32	7.88
Position used to finance unbudgeted costs or other positions	Food Safety and Natural Resources	Exec Manager C; Natural Resource Spc 4	2	1.73
Positions phasing out at the end of the biennium	Food Safety	Natural Resource Spc 3	3	3.00
Relating to Policy Option Packages	Food Safety and Natural Resources	Natural Resource Spc 3; Office Specialist 2; Office Manager 1	4	3.50

DAS Vacant Position Report
Period End 12/31/18

Program	Position #	Pos Type	Position Title	FTE	Anticipated Fill Date	Reason Position Has Been Vacant (Please Choose from Drop Down List)	If *Other - Please Specify Reason In the process of restructuring job duties & position description	GF Salary	OF Salary	FF Salary	LF Salary	# of Months Vacant	
												7 - 12	12 +
Admin Svcs	0148030	PF	Info Systems Spec 7	1.00	4/1/19	11 - * Other		38,530	154,118	0	0	X	
Food Safety	1300005	PF	PEM C	1.00		7 - Position used to finance unbudgeted costs		48,990	111,162	0	0		X
Food Safety	1927001	LF	Nat Resource Spc 3	1.00		11 - * Other	Position to phase out and the end of the b	0	0	116,640	0		X
Food Safety	1927002	LF	Nat Resource Spc 3	1.00		11 - * Other	Position to phase out and the end of the b	0	0	116,640	0		X
Food Safety	1927003	LF	Nat Resource Spc 3	1.00		11 - * Other	Position to phase out and the end of the b	0	0	116,640	0		X
Food Safety	1925002	LF	Nat Resource Spc 3	1.00		11 - * Other	Related to policy option package 430 - Pos	0	0	166,640	0		X
Food Safety	1925003	LF	Nat Resource Spc 3	1.00		11 - * Other	Related to policy option package 430 - Pos	0	0	166,640	0		X
Food Safety	1925004	LP	Office Specialist 2	0.50		11 - * Other	Related to policy option package 430 - Pos	0	0	32,592	0		X
Animal Health	0142390	PP	Livestock Brand Insp	0.04	2/1/19	2 - Filled or in process of being filled		0	3,150	0	0	X	
MSD	1928502	PF	Compliance Spc 2	0.92		10 - No available funds to finance the position	Waiting for fee increase to fund position	0	92,744	0	0		X
Natural Resources	0533580	PF	Office Manager 1	1.00		4 - Vacant due to pending reclass process	Part of policy option package #471	77,448	0	0	0		X
CAFO	0745140	PF	Nat Resource Spc 4	0.73		8 - Position used to finance another position		0	93,716	0	0		X
SWCD	1300007	PF	Program Analyst 3	1.00		6 - Position held open to accumulate savings		0	0	0	170,736	X	
Weed	0141240	SF	Laborer 2	0.13		3 - Seasonal job	Project specific position	0	0	9,615	0		X
IPPM	1900001	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	34,560	X	
IPPM	1900002	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900003	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900004	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900005	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900006	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900007	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900008	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900009	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900010	LP	Biological Technician	0.33		3 - Seasonal job	Project specific position	0	0	0	22,648	X	
IPPM	1900011	LF	Nat Resource Spc 1	0.54	3/1/19	2 - Filled or in process of being filled		0	0	0	45,500	X	
IPPM	1900012	LF	Nat Resource Spc 2	0.75	4/1/19	2 - Filled or in process of being filled		0	0	0	72,396	X	
IPPM	1900013	LF	Nat Resource Spc 4	0.75	4/1/19	2 - Filled or in process of being filled		0	0	0	96,174	X	
CID/Ship/Seed/HHG	0139120	PF	PEM F	1.00	2/1/19	2 - Filled or in process of being filled		0	77,674	0	0	X	
Plant Health in CID	0397270		Laborer 2	0.80	8/1/19	3 - Seasonal job		0	9,750	37,079	0	X	
Plant Health in CID	0397280		Laborer 2	0.80	8/1/19	3 - Seasonal job		0	9,750	37,079	0		X
Shipping Point	0140110	SP	Agricultural Worker	0.19	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	10,976	0	0		X
Shipping Point	0140290	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140610	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140810	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140890	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0140960	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140970	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140980	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0140990	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141190	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141550	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141560	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141590	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0141630	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0141640	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0141650	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144340	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144410	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144420	SP	Agricultural Worker	0.04	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	2,355	0	0		X
Shipping Point	0144440	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144460	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144480	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144510	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144600	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	0144620	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,317	0	0		X
Shipping Point	0144670	SP	Agricultural Worker	0.13	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	7,065	0	0		X
Shipping Point	1743001	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Shipping Point	1743002	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Shipping Point	1743003	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Shipping Point	1743004	SP	Shipping Pt Insp 2	0.90	8/1/19	3 - Seasonal job	Recruitment Difficulties	0	63,210	0	0		X
Ag Development	0692440	PF	Ops & Policy Analyst 3	1.00		6 - Position held open to accumulate savings		128232	0	0	0	X	

Oregon Department of Agriculture
Summary of long-term vacancies
Quarter ending December 2018

Reason	Policy Area	Function	Total positions	FTE
Vacancies open for 7-11 months				
Seasonal job / Project specific	Natural Resources and Market Access & Certification	Biological Technicians; Laborer	11	4.10
Filled or in the process of being filled	Food Safety/Consumer Protection, Natural Resources and Market Access & Certification	Livestock Brand Inspector; Natural Resource Spec 1, 2 & 4; and Exec Manager F	5	3.08
Positions used to finance unbudgeted costs or other positions.	Natural Resources and Market Access & Certification	Program Analyst 3; Ops & Policy Analyst 3	2	2.00
In the process of restructuring duties & job description	Administrative Services	Info Systems Spec 7	1	1.00
Vacancies open 12 months or more				
No available funds to finance the position	Food Safety/Consumer Protection	Compliance Spec 2	1	0.92
Seasonal job / Project specific	Natural Resources and Market Access & Certification	Laborer; Shipping Point Insp 2; Agricultural Worker	32	7.88
Position used to finance unbudgeted costs or other positions	Food Safety and Natural Resources	Exec Manager C; Natural Resource Spc 4	2	1.73
Positions phasing out at the end of the biennium	Food Safety	Natural Resource Spc 3	3	3.00
Relating to Policy Option Packages	Food Safety and Natural Resources	Natural Resource Spc 3; Office Specialist 2; Office Manager 1	4	3.50

Secretary of State Audit Report

Jeanne P. Atkins, Secretary of State

Mary Wenger, Interim Director, Audits Division



Oregon Department of Agriculture: Improved Management Practices, Use of Resources Could Help Food Safety Program Achieve its Mission

Executive Summary

The Oregon Department of Agriculture's (ODA) Food Safety Program is struggling with a backlog of establishments needing inspection. This backlog was caused by an increase in the number of licensed businesses and complexity of business practices, and an inspection staff busy with other duties. By implementing stronger management practices, making better use of data, and more strategically deploying its resources, the program can reduce its backlog of inspections, better achieve its mission of preventing the spread of foodborne illness, and prepare for more regulatory challenges in the near future.

The Food Safety Program has an inspection backlog

According to ODA, a backlogged firm is one that is three or more months late for an inspection. We found that, as of October 2016, 2,841 firms were late for an inspection.

Inspectors have not kept up with this workload in part because the number of licensed businesses has been steadily increasing for the last 10 years. There are now more than 12,000 licensees needing regular inspection by the Food Safety Program.

Inspectors are also spending significant amounts of time on duties that are not related to inspections, such as attending training courses in specialized license types or answering customer questions on the phone. Management has established goals for how much time inspectors should be spending on inspection-related tasks, but it is not clear these goals are being met.

Federal grants, contracts take time away from inspections

Many firms in Oregon are subject to inspection not only by ODA, but also by the federal Food and Drug Administration, or FDA. The Food Safety Program has a contract with FDA to conduct some of these inspections in exchange for reimbursement. Currently, ODA conducts 500 contract

inspections each year, one of the highest contract workloads in the country. These inspections take significantly longer than a routine ODA inspection.

ODA's Food Safety Program was one of the first in the country to enroll in the federal Manufactured Food Regulatory Program Standards, or MFRPS. Through MFRPS, the program has developed policies and procedures related to enforcement actions, responding to food-related illness, and training. This work has taken time away from conducting food safety inspections and was one of the factors contributing to the backlog.

Staff turnover is a challenge

Since 2006, 28 inspectors have either left the agency or retired. Retiring inspectors often take decades of expertise and experience with them. Hiring and training new staff to replace them is time-intensive. And there is no formal succession plan to prepare for their departure.

Turnover has been especially challenging for the program's two field operations managers, who are responsible for supervising inspectors. ODA has struggled to keep people in these two positions.

The program uses a tool from FDA that allows food safety regulatory programs to calculate the number of inspectors required to manage the workload. But we found the Food Safety Program was incorrectly using this tool and may not have an accurate estimate of its own staffing needs.

The program needs more management oversight

More oversight of food safety inspectors is needed to ensure the quality and consistency of inspections. Field operations managers only review the inspection reports of new inspectors while they are trained. Although field operations managers are expected to supervise inspectors in the field, this is not happening because managers are busy with office work.

Management could offer more guidance to help inspectors be more consistent in their interactions with licensees. Currently, inspectors are inconsistent in how they issue enforcement actions and how much time they spend explaining the rules and regulations to food establishments.

The program is also at risk of overlooking some businesses that are operating without a license. Currently, ODA relies on new businesses to contact them to obtain a license. But for businesses that may not, there is no formal policy or procedure to proactively identify them.

The program could benefit from better use of data

We found the Food Safety Program is missing several opportunities to use data to help make decisions.

Although management can access the program's Be Food Safe database to see how many firms are overdue for an inspection, they have not been consistently tracking and storing these data. Keeping track of these

numbers could be helpful in identifying patterns and strategies to reduce the backlog.

Some data are not being kept in the most efficient form for analysis. Inspectors fill out daily paper reports of how they spend their hours, but management does not analyze these. By keeping these data in a digital format that can be easily accessed, and regularly analyzing them, management could identify how staff spend their time and look for opportunities for improvement.

We also found that the program could benefit from a designated data analysis position. Managers say they do not have time to collect and analyze data because of their other responsibilities. By having someone whose role is primarily data analysis, the program could benefit from this data without compromising these other duties.

Recommendations

To work toward the goal of reducing the backlog of inspections, we recommend ODA reconsider some of its workload, provide more guidance to inspectors, and better track and analyze data to inform these decisions. To help the program better achieve its mission, we recommend ODA develop policies and procedures to improve oversight of inspectors and develop partnerships with other agencies. And to address some of the staffing challenges, we recommend the program use data to analyze its staffing needs and develop a succession plan for retiring inspectors. Our specific recommendations can be found on Page 22 of the report.

Agency Response

The agency generally agrees with our findings and recommendations. The full agency response can be found at the end of the report.

Background

Agriculture has existed in Oregon for as long as it has been a state. Early boards and commissions reflected the range of activities falling under the umbrella of Oregon agriculture; from pest and disease prevention to commodity inspection to animal and livestock regulation.

In 1931, the legislature moved to gather 13 separate boards, bureaus, and commissions and unite them as a single State Department of Agriculture. This agency is now known as the Oregon Department of Agriculture (ODA).

Since then, agriculture in Oregon has grown, as have the agency's responsibilities. Those responsibilities include regulating the use of pesticides; protecting Oregon from plant pests and diseases; inspecting commodity crops; helping producers sell and ship products domestically and overseas; and inspecting almost all facets of the food distribution system for health and safety.

These wide-ranging duties are encompassed by three policy areas of the agency's mission:

- to ensure food safety and provide consumer protection;
- protect the natural resource base for present and future generations of farmers and ranchers; and
- promote economic development and expand market opportunities for Oregon agricultural products.

Of all these, the agency's highest priority is the Food Safety Program.

Roles and responsibilities of the Food Safety Program

Even before there was a State Department of Agriculture, there were food safety inspectors. In the early 1900s, the Dairy and Food Commission sent inspectors out in a Model T, spending weeks driving across the state to visit farms that needed to be checked.

Today's Food Safety Program employs 38 inspectors, spread throughout the state (see figure 1). These inspectors are supervised by two field operations managers, who are in turn led by two program managers and the program director.

The program is responsible for licensing and regulating more than 12,000 food production, processing and distribution establishments throughout the state, including grocery stores, bakeries, processors and manufacturers, as well as regulating Oregon's dairy and shellfish industries.

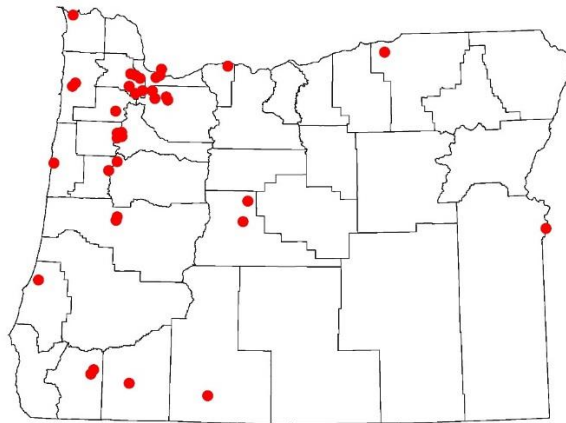
The program's inspection staff conduct routine food safety inspections. Seven of these inspectors are specialists, who provide expertise for inspections of certain specialized license types, such as dairy, shellfish or manufactured foods.



A farmer stands in his field in the early days of Oregon agriculture.

Photo by Oregon Department of Agriculture

Figure 1: Food safety inspectors are located throughout Oregon



ODA works in tandem with the Oregon Health Authority, whose county health departments are responsible for inspecting restaurants and other food service establishments.

During a retail food safety inspection, inspectors refer to the Food Code to ensure that food is being handled and sold safely. The United States Food and Drug Administration (FDA) issues an updated model Food Code every several years, which states can either adopt entirely or use to create their own version. Oregon has adopted almost all of the 2009 Food Code, with some minor changes to reflect the state's unique agriculture landscape.

Inspectors describe the Food Code as prescriptive. For instance, it requires that potentially hazardous food be maintained at a minimum of 130°F for hot foods, and a maximum of 41°F for cold foods. It also specifies how to keep food preparation areas clean; how to properly store and label potentially hazardous food; and how to maintain entrances to prevent pest access, among other things.

The Food Code applies only to retail licensees such as grocery and convenience stores. Other licensees, such as manufacturers and processors, are regulated by other federal codes that are more complicated, but ensure that food is being processed and created to avoid contamination and maintain public health.

All food safety licensees are inspected in regular intervals, although how frequently varies by the license type, the level of risk at each facility, and record of compliance. A low-risk retail firm, such as a convenience store, may only be inspected once every three years. But a high-risk retail establishment, such as a large grocery store that prepares food on-site, is inspected annually.

In 2014, the Food Safety Program launched its own application for inspectors to electronically fill out reports in the field, known as Be Food Safe. The application stores some data, such as the dates when an establishment is inspected and the number of licenses assigned to each

inspector. Inspectors told us this new system is preferable to the former method of filling out paper reports and helps complete inspections faster.

Program revenue includes federal contracts and grants

For the 2015-17 biennium, ODA was operating with a \$105.8 million budget, \$10.9 million of which was earmarked for the Food Safety Program. The bulk of the program's budget lies in Other Funds, which includes license fees and reimbursement for inspections conducted under a contract with FDA.

Food establishments that sell or receive products across state lines are required to be inspected not only by ODA, but by FDA. To streamline this process, FDA contracts with states to conduct some of these inspections. Forty-three states, including Oregon, are currently under contract.

States meet individually with FDA to negotiate the number of contract inspections they do each year. Oregon currently conducts 500 FDA contract inspections annually — one of the highest workloads in the country.

As part of that negotiation, ODA calculates the cost to the agency for conducting an individual FDA contract inspection. FDA then reimburses the agency for those costs at the contract year's end.

Participation in these FDA contract inspections means states are eligible to enroll in the Manufactured Food Regulatory Program Standards, otherwise known as MFRPS. MFRPS includes guidelines for developing 10 standards, the goal of which is to help states implement quality regulatory programs that are consistent nationwide.

For 2015-16, ODA received a grant of \$300,000 to help with the implementation of MFRPS and offset the cost to the program of developing the standards.

In addition to the FDA contract reimbursement and the MFRPS grant, the Food Safety Program earns revenue from license fees. The amounts that ODA charges for its licenses varies by both the type of license and, in most cases, the gross annual sales reported by the firm. These annual fees range from as little as \$108 to as much as \$1,624.

ODA has statutory authority to raise license fees by no more than 3 percent annually. The program has not increased its license fees since 2009.



A food safety inspector checks the temperature of product.

Photo by Oregon Department of Agriculture

Audit Results

The Food Safety Program faces challenges to achieving its mission

The mission of ODA's Food Safety Program is to help prevent the spread of foodborne illness. Program staff accomplish this mission through monitoring Oregon's food industry, enforcing sanitation laws, inspecting food establishments, and working to ensure food is not contaminated, mislabeled, misrepresented, or changed in any way that impairs its safety.

We identified a number of issues that challenge the program's ability to fully achieve its mission.

- Inspectors are struggling to inspect food establishments as frequently as they should.
- Federal grants and contracts, while beneficial, are taking up valuable time and resources.
- The program has faced significant staff turnover.
- Stronger oversight is needed by program management.
- The program is not fully taking advantage of data to strategically deploy its staff.

The stakes are high. The safety of the food system impacts every Oregonian. ODA plays a crucial role in ensuring not only the health and safety of the public, but the strength of Oregon's billion-dollar agriculture economy.

Not addressing these challenges could increase the risk to both public safety and the agriculture economy

Foodborne illness is common. The Centers for Disease Control and Prevention estimate that 48 million people — one in six — gets sick from a foodborne illness each year. The bacteria most often responsible, including *Listeria monocytogenes*, *Salmonella*, and *Escherichia coli*, are present at all stages of the food system.

Infection by these bacteria can have serious or even deadly consequences. Each year, an estimated 128,000 people are hospitalized for a foodborne illness; another 3,000 people die. And pinpointing the cause of an outbreak is notoriously difficult: not all illnesses are reported; symptoms may take days to appear; and people may struggle to remember everything they ate.

Adhering to food safety regulations is crucial to minimize the risk of contamination. It's up to food safety inspectors to make sure those regulations are followed.



Freshly-caught shrimp await processing.

Photo by Oregon Department of Agriculture

Failure to comply with regulations increases the risk of foodborne illness

In the course of doing a food safety inspection, inspectors are looking for violations to the retail Food Code or other applicable regulations. Some of these violations may not be obvious to the average consumer, while others are more readily apparent.

In June 2015, two food safety inspectors made a visit to a grocery store in Portland to conduct a routine inspection.

They found hundreds of rodent droppings scattered throughout the store, from the beverage station in the front to the dry food storage area in the back. Seven dead mice were still locked in snap traps. The creatures had apparently found their way in through gaps around plumbing fixtures, between walls and floors and under doors.

Inspectors issued a notice of closure and condemnation to the firm for the affected areas. But rather than improve, the problem spread to other parts of the store.

During a later visit, the inspectors found thousands of insects on glue traps and dead insects visible inside wrapped packages of lettuce. This time, the rodents spotted were alive; one stuck to a glue trap behind the bread display, another running near the front of the store. Inspectors issued a notice of closure and condemnation to the entire store until the problem could be resolved.

Not all violations are so obvious. An employee may be failing to properly sanitize a food preparation area. Food may be held at an improper temperature, allowing bacteria to grow. A product may contain an allergen, like peanuts or soy, without declaring it on the label.

When food safety inspectors regularly visit these establishments, they can catch and help correct these violations, or even run tests to identify the presence of harmful bacteria, before someone becomes ill.

During an inspection of a Portland-based meat processor in March 2014, one food safety inspector took routine samples of the product. Those samples confirmed the presence of *Listeria monocytogenes*, prompting the firm to voluntarily recall the contaminated product. No illnesses were reported in connection with the incident.

A risk of unsafe food can also affect the reputation of a business

Several inspectors told us they see their job as protecting not only consumers, but businesses as well. A firm that garners a reputation as unsafe, unclean, or not in compliance with food safety regulations risks losing customers.

In October 2015, 13 people in Oregon and 27 in Washington were sickened in an outbreak of *E. coli* that was later determined to have originated with the restaurant chain Chipotle Mexican Grill.

The business suffered. In the three months after the outbreak, profits were down 44% compared to the year before. Its stock dropped by 37%.

Although restaurants like Chipotle are not inspected by ODA, businesses that ODA does inspect could be similarly affected by an outbreak of foodborne illness.

When inspectors are able to conduct inspections on a regular basis, these risks are mitigated. But challenges facing the program have resulted in inspectors scrambling to complete their workload and some firms going without an inspection for years.

Inspectors are behind on inspections

ODA's Food Safety Program uses a risk matrix to determine how frequently licensed firms should be inspected. High-risk firms, such as large grocery stores or producers of acidified foods, are to be inspected at least once a year. Medium-risk firms should be inspected at least once every two years, and low-risk firms once every three.

But inspectors have not been meeting these frequencies.

According to ODA, a backlogged firm is one that is three months late for an inspection. We found that, as of October 2016, 2,841 firms were overdue for an inspection.

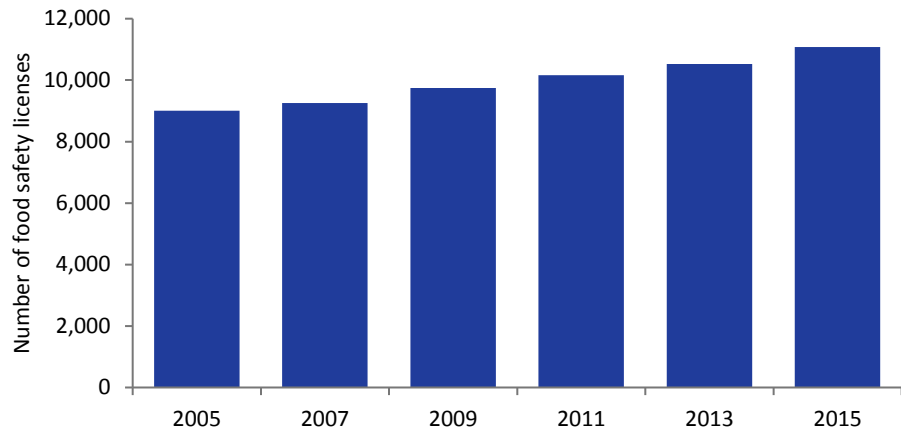
ODA does not know how long this backlog of inspections has existed. Agency staff are able to access their Be Food Safe database and determine how many firms are past due at that moment. But the program has not been keeping track of these data and is unable to say how many firms were past due a year ago or five years ago.

The number of licensees and demand for inspections has increased

According to inspectors, keeping up with the workload is increasingly difficult as the number of food establishments in the state grows.

In 2005, the Food Safety Program licensed 9,000 firms in the state of Oregon. By 2015, that number had increased to 11,000 firms. Now, the number of licensed firms in the state is more than 12,000.

Figure 2: The number of licenses has increased in the last 10 years



Note: License counts are from December of each year.

Meanwhile, staffing levels have changed very little. There are currently 38 food safety inspectors responsible for inspecting all 12,000 licenses. Staffing levels have fluctuated in recent years, but by a relatively small amount, give or take two or three positions.

Inspectors also told us that not only has the number of licensees increased, but business practices are more complex, increasing the amount of time needed for individual inspections. For example, more grocery stores are now participating in high-risk food preparation activities, such as sushi.

Management has not made it a practice to regularly track how long inspections take, so we were unable to independently verify if inspection times are, in fact, increasing.

Inspectors are spending time on non-inspection duties

The job of a food safety inspector goes beyond conducting inspections. Tasks and duties vary from inspector to inspector, depending on their own expertise, background, and job classification.

In addition to inspecting food establishments, inspectors investigate consumer complaints, perform facility plan reviews, examine packaging and labels, gather samples for routine testing, offer consultation for new businesses, and are available to answer questions from business owners.

Inspectors involved with the dairy and shellfish programs have additional duties, which range from sampling water at the Oregon coast to evaluating highly technical pasteurization and processing equipment. Other tasks may include coordinating recalls, attending training, auditing FDA contract inspection reports, and testing the program's Be Food Safe app.

Management's goal is that most inspectors spend about 63% of their total working hours conducting inspections. Specialists are expected to spend 50% of their total hours on inspections.



An ODA inspector gathers shellfish samples.

Photo by Oregon Department of Agriculture

However, it is not clear these goals are being met. Inspectors fill out daily reports accounting for their work hours, but management is not using this information to analyze how inspectors spend their time. Some inspectors told us they spend very little time conducting inspections because they are too busy with other duties and projects, including Be Food Safe and MFRPS.

Inspectors cannot keep up with the license inspection demand

In interviews, many inspectors said they were simply unable to complete all their work and assignments in the time they were given.

Many inspectors said they needed to prioritize their work. For some inspection types, such as dairy or FDA contract inspections, there are consequences if an inspection is missed or completed late. Dairy inspections must be completed in order for Oregon's dairy farmers to ship out of state; FDA contract inspections must be completed on time for the program to receive reimbursement.

As a result, other inspection types — primarily retail — are given a lower priority or simply not done. Several inspectors told us that the inability to keep up with the work was stressful, distressing, and difficult.

Management has set goals to reduce the number of licenses that are overdue for an inspection. By the end of 2016, they hope to eliminate the backlog of high-risk firms that haven't been visited in two years. But they told us "It took years to get to this point, and it will take years to dig ourselves back out."

The program started to fall behind around 2009 or 2010 — right around the time the Food Safety Program implemented MFRPS.

Federal grants and contracts are beneficial, but come at a cost

Ten standards of MFRPS

- Standard 1: Regulatory Foundation
- Standard 2: Training Program
- Standard 3: Inspection Program
- Standard 4: Inspection Audit Program
- Standard 5: Food-related Illness and Outbreaks and Response
- Standard 6: Compliance and Enforcement Program
- Standard 7: Industry and Community Relations
- Standard 8: Program Resources
- Standard 9: Program Assessment
- Standard 10: Laboratory Services

MFRPS has been beneficial in developing policies, procedures

Oregon was one of the first states to enroll in FDA's Manufactured Food Regulatory Program Standards, or MFRPS, in 2007.

Since then, the Food Safety Program has invested considerable time and energy in developing the 10 standards. Several food safety inspectors have taken time away from their usual duties to accomplish this. To help offset the cost of staff time, FDA offers a grant of up to \$300,000 each year with enrollment in MFRPS.

Management told us that while MFRPS has taken away from time spent on inspections, the investment has been worth it. MFRPS helped the program organize, develop, and document policies and procedures related to enforcement actions, responding to food-related illness, and training. For example, the risk matrix that determines how frequently licenses should be inspected was developed through MFRPS.

With the standards now developed, it is unclear what impact MFRPS will have on the program’s workload in the future. But by scaling back the amount of time spent on MFRPS, staff could spend more time on inspections and working to reduce the backlog.

But MFRPS isn’t the only thing taking time away from inspections. There is a requirement that states must meet before they can be awarded the MFRPS grant — they must maintain an FDA inspection contract.

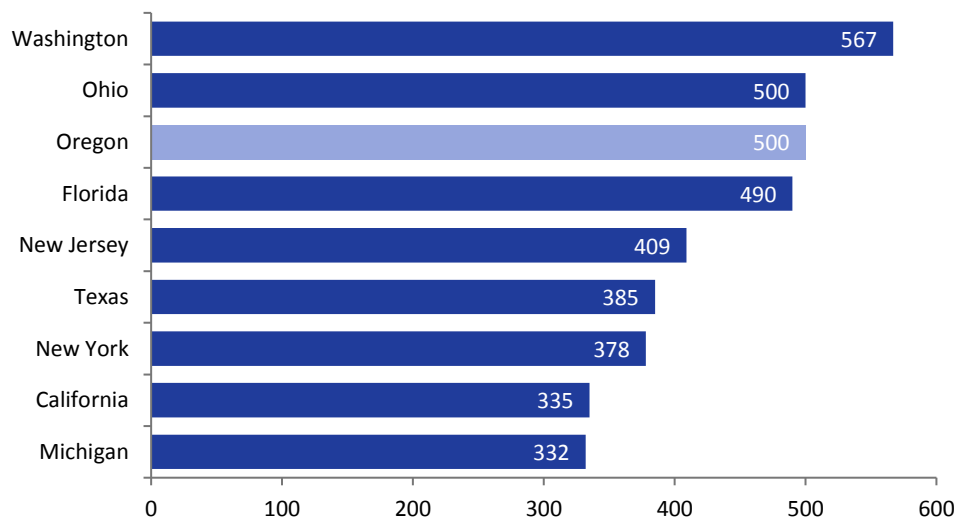
FDA contract inspections are time-consuming

Forty-three states have a contract with FDA to conduct inspections in some food manufacturing and processing firms, but Oregon has agreed to take on a much higher number than almost every state.

During contract years 2015 and 2016, ODA agreed to conduct 500 inspections on behalf of FDA. This is tied with Ohio for the 2nd highest number of contract inspections nationwide, surpassed only by Washington. As recently as 2010, the program had agreed to conduct 750 contract inspections.

Contract inspections can vary by state. For example, Alaska conducts fewer contract inspections than Oregon, but many of them are complex and may take longer.

Figure 3: Oregon is tied for the 2nd highest number of FDA contract inspections



Note: All numbers are from the 2015-16 contract year

Representatives from ODA and FDA meet annually to negotiate the number of firms to inspect, which firms to inspect, and the unit price per inspection. The unit price is the cost ODA estimates for a single contract inspection accounting for the hourly wage of the inspector, how long the average contract inspection takes, the average travel time, and other factors.

FDA also requires ODA to conduct desk audits of the inspection reports and send inspectors out in the field to audit each other. This additional cost for time spent auditing is included in the negotiation.

Once all of the contract inspections are completed, FDA reimburses the Food Safety Program for these costs. For fiscal year 2015-16, ODA estimated the total cost to the program to be \$676,941.65.

These FDA contract inspections take significantly longer than routine inspections. In addition to the routine inspection work, contract inspection reports must include a detailed questionnaire and documentation about the firm's operations. Reports are reviewed by other staff, who then submit them directly to FDA.

Some inspectors estimated FDA contract inspections take four to six hours longer than a routine inspection, much of that due to writing the report. Particularly complex facilities can take as long as 12 hours to complete a contract inspection.

Participating in the FDA contract, regardless of the number of inspections completed, offers a number of benefits for state food safety programs. It allows them to enroll in MFRPS. It offers access to training on how to inspect specialty license types, such as acidified foods or low-acid canned foods. It also provides the opportunity for states to get funding to seek accreditation for their laboratory.

But the high number of these time-intensive inspections may be prohibiting ODA from completing some of its own routine inspections. If the Food Safety Program were to reduce the number of contract inspections by 100, we estimate they would gain back 700 inspection hours that could be used to reduce the backlog.

The program could do a better job of addressing its staffing challenges

In February 2014, representatives from the Northwest Grocery Association approached the Legislature to ask their approval for three limited duration inspector positions to be hired by the Food Safety Program.

The Legislature granted the request. ODA began recruiting for three limited duration positions in December 2014, to add to the existing team of 35 food safety inspectors. In the upcoming legislative session, ODA plans to request that two of those positions be made permanent.

Management told us they believe this strategy to reduce the backlog appears to be working. However, since the Food Safety Program does not track the extent of the backlog over time, it is unclear how much of an effect these extra positions are having.

In interviews with inspectors, almost everyone told us the one thing that could help with the backlog would be to add more staff. They think the Food Safety Program is understaffed, given the number of licenses and other duties they are responsible for and due to staffing challenges the Food Safety Program has recently faced.

The program has experienced significant turnover

Since 2006, 28 inspectors have either left the agency or retired.

Retiring inspectors are a challenge for the program. Inspectors who retire after decades of service take the accompanying knowledge and expertise with them. And there is no formal succession plan for the agency as a whole, let alone the Food Safety Program, to prepare for their departure.

In recent months, some staff have agreed to stay on part-time to help train and prepare their successors. But these efforts have been initiated by staff themselves; this does not occur on a regular basis.

Hiring and training new inspectors is a time-intensive process. New inspectors undergo rigorous training that lasts weeks before they begin conducting inspections. This process involves much of the food safety staff, who take time away from their own duties to help with training.

Turnover has been especially challenging for the program's two field operations manager positions, which are responsible for supervising food safety inspectors. In the course of conducting our audit, one manager retired and the other has been in the position less than two years. One candidate who moved up to fill the vacant position decided against it. As of the writing of this audit, the slot remained vacant.

Several inspectors told us this turnover was due to compensation and workload. In fact, specialists have the potential to earn higher salaries than field operations managers. Staff described the field operations manager roles as more time-intensive and more stressful. Several staff told us that specialist positions are preferable to supervisory roles.

Staffing needs are being incorrectly calculated

FDA offers a tool for state regulatory programs to estimate their staffing needs based on factors like the number of licenses, how frequently licenses are being re-inspected, and how long inspections take.

Using this tool, the Food Safety Program determined they needed 49.4 full time equivalent (FTE) inspectors.

But we found the program was incorrectly using the tool and over-estimating the number of inspectors needed to be fully staffed.

The Food Safety Program was incorrectly using the following factors in their calculations:



An inspector conducts an inspection of a processing plant.

Photo by Oregon Department of Agriculture

- The re-inspection frequency — the percentage of total firms requiring a follow-up inspection — was based on the figure FDA uses in the example of how to use the tool instead of the program’s actual rate.
- The average inspection times were incorrect. Again, the program was using figures provided by FDA as an example. Program data showed these inspections, on average, took fewer hours than the examples provided.
- When the Food Safety Program did their calculations, they accounted for hours inspectors were spending on duties like MFRPS and sampling. While they also accounted for FDA contract inspections, they incorrectly calculated the number of hours spent on these inspections. When we recalculated the staffing needs of the program, we used the agency’s own data instead of the example figures provided by FDA. Our calculations resulted in an FTE total that was significantly less than the 49.4 FTE the Food Safety Program calculated using the tool.

It is important to note the staffing tool cannot account for every task required of inspectors among different states’ regulatory programs. The tool is intended to give programs a starting point to estimate their own staffing needs. To get the most accurate estimates, management should be using their own data, instead of relying on FDA’s example figures.

There are opportunities for improvement in program management practices



Wine as it is being processed and bottled.

Photo by Oregon Department of Agriculture

In addition to the field operations managers, the Food Safety Program is managed by two program managers and one director.

Agency leadership and staff all praised the work managers have done to maintain a positive atmosphere in the Food Safety Program. Inspectors said managers were receptive to their concerns and contributed to their satisfaction with working for ODA.

Management has already taken steps to address some of the challenges we have outlined in this report. For instance, management had begun to take a closer look at the available data for the backlog before this audit began. They also assigned some inspectors to conduct retail-only inspections in parts of the state where retail firms were most overdue.

But we also identified several areas in which management could improve.

Stronger management oversight is needed

The program’s 38 inspectors are spread throughout the state, where they work out of their homes to see that businesses from Portland to Ontario are inspected in a timely fashion. In some instances, inspectors work together — when training or being audited for FDA contract inspections, for instance. But most of the time, inspectors work unsupervised.

Each inspection results in a report, which is saved in the program's Be Food Safe database and also emailed to the business owner. We reviewed a sample of reports to determine how much information they contain about the quality of inspections.

We found that the reports did not contain enough information to determine the quality of the inspection. We also accompanied some inspectors out in the field to observe them as they conducted routine food safety inspections. Based on our observations and review of reports, it appears that direct supervision and observation is the more effective way to evaluate the quality of a food safety inspection.

The job of the field operations managers is to supervise these inspectors and ensure inspections are being completed thoroughly and consistently.

Previously field operations managers would review a random sample of inspections reports. According to management, they did away with this practice due to time constraints after one of the field operations managers retired.

Now field operations managers only review the reports of newly-hired inspectors who are still being trained. After a period of time, field operations managers stop reviewing these reports.

Field operations managers also said they are not spending time observing staff in the field. They may occasionally accompany an inspector at his or her request. Inspectors will sometimes reach out to one another for assistance with inspections. But direct supervision of inspections is not happening on a regular or consistent basis.

Some inspectors said they wished they could spend more time working directly with their field operations managers. Other inspectors mentioned this makes performance evaluations more difficult.

Field operations managers, meanwhile, said they are unable to spend time in the field because duties in the office keep them at their desks, whether they are answering questions or working on special projects.

Some inspections are audited. FDA requires that some contract inspections undergo an auditing process, which includes reviewing the report as well as observing the inspection. FDA also recently informed ODA it should be conducting audits for all of its manufacturing inspections, not just the ones being performed under contract.

But no similar procedure exists to audit the other license types the Food Safety Program is responsible for inspecting, such as retail.

Management should reassess staff training needs

Before inspecting a specialty license type, an inspector must: attend training courses, often held by FDA; conduct practice trainings in the company of another inspector; and be approved for that particular license.

New inspectors start with retail inspections before moving on to manufactured foods, processors and increasingly specialized license types, such as low-acid canned foods, shellfish, dairy and more.

All food safety inspectors are required to be Registered Environmental Health Specialists with the Oregon Health Licensing Office. To maintain that license, inspectors must earn a minimum of 20 continuing education credit hours every two years; this is often accomplished by attending the all-staff conferences held by the Food Safety Program.

All that training adds up. And while training is a crucial component for maintaining skilled and qualified staff, inspectors appear to be spending a significant portion of time on training, which takes away from time spent on inspections.

In interviews with inspectors, agency management, and food safety programs in other states, we identified two possible approaches to training.

One is described as a jack-of-all-trades approach; inspectors may receive training in all license types. In a state as geographically diverse as Oregon, this strategy can be useful in that all inspectors are equally qualified to inspect all of the license types in their area, reducing the need for travel. However, inspectors may spend weeks training for a license type they will infrequently encounter.

The other is one where inspectors are more specialized. This is a useful strategy for complex and evolving industries, such as manufactured and processed foods. It may also reduce the total amount of time inspectors spend on training and free them up for inspections. But it adds a challenge in that specialized inspectors may be required to travel extensively to visit the one or two firms across the state that they are qualified to inspect.

Management currently has a blend of these two approaches, but has not identified a clear strategy of how to best train inspectors to meet the needs of their assigned areas. As a result, it is unclear if the current amount of training inspectors receive is necessary. To more efficiently use inspectors' time, management could be more strategic in determining which inspectors should be trained in which license types.

More guidance could help address inconsistency among inspectors

Many inspectors we interviewed said that consistency varies when it comes to things such as issuing enforcement actions or spending time to explain regulations.

For example, some inspectors may issue an enforcement action, such as a sanitation warning, even if the business owner resolves the issue on the spot. Other inspectors may choose not to issue the warning if they see the violation is corrected.

One benefit of consistently and uniformly issuing enforcement actions is to have reliable data the program can use to identify repeat offenders of food

safety laws and regulations. This allows the program to escalate its enforcement action to more serious consequences, all the way up to suspending a firm's license. If inspectors are inconsistently issuing enforcement actions, the program loses these valuable data points.

Inspectors also spend a significant portion of time educating business owners to help them understand and comply with food safety regulations. In addition to educating during inspections, staff spend time consulting with firms before issuing licenses, or reviewing plans for a business to make sure they account for safety regulations.

The Food Safety Program takes these duties seriously. The agency has documented in enforcement policies and procedures that being helpful, rather than punitive, is the best strategy to achieve compliance.

But the amount of time inspectors spend assisting varies widely from person to person. In some instances, this can mean the difference between a food safety inspection that lasts a couple of hours and one that lasts all day.

It is not clear that a strict policy on these issues would be beneficial to the program's goal of compliance. But management could offer guidance — on both enforcement actions and the time spent on helping — to achieve greater consistency among all inspectors.

The program risks overlooking some new food businesses

It is the responsibility of ODA to regulate the production, processing, and distribution of food products. Licensing businesses that participate in these industries is a key step in the regulatory process.

But when it comes to obtaining a license, it is left up to the business to contact ODA and initiate the licensing process.

Sometimes, these people are unaware they need to be licensed through ODA. And they may be licensed by more than one entity — cities or other agencies, such as the Oregon Liquor Control Commission. Or, the firm may simply avoid obtaining a license.

The Food Safety Program does not have a policy or procedure to proactively identify businesses needing a license. Without it, the program risks failing to properly license and regulate these food establishments.

Not only do these firms risk noncompliance with food safety regulations, but the program risks missing out on potential license fee revenue.

Determining the best way to find these businesses is difficult. In interviews with food safety programs in other states, none had identified a best practice to accomplish this. Instead, their inspectors often find unlicensed businesses the same way as Oregon inspectors — they stumble upon them.

We observed one inspector in the course of his daily routine when he saw what appeared to be a gas station food mart preparing to open. The

business had not yet obtained a license from ODA. The inspector stopped briefly to inform them of the requirements and left his contact information.

Some inspectors have established relationships with other licensing entities, such as cities and counties, to share information about new businesses. The Food Safety Program could benefit from adopting a policy to formalize this process program-wide, rather than relying on inspectors to develop these individual relationships.

The program could use data to better address its challenges

For some time now, the Food Safety Program has been aware of the backlog in the food safety inspections. They have taken some steps to address it, including hiring some limited duration inspector positions, reducing the number of FDA contract inspections between 2010 and 2015, partnering with other ODA programs, and prioritizing some inspections based on risk.

While these actions are commendable, we identified several ways the Food Safety Program can do more to resolve existing issues and prevent future ones. Many of these strategies are based in using data to help make informed decisions.

There are data the Food Safety Program could be collecting

In October 2016, at the request of the audit team, the Food Safety Program tallied the number of firms that were overdue for an inspection. They counted 2,841 firms that were at least three months late for an inspection.

For any moment in time, management can access Be Food Safe and conduct a similar count. But these figures are not stored anywhere and not tracked over time, so there is no way to determine the extent of the backlog in 2015, 2014 or any time before.

Management should routinely collect these data. Examining these numbers over time might point to a pattern in the inspection backlog, or make clear where the backlog is at its worst. It can help management identify strategies to reduce the backlog and where to best deploy their resources.

Some data are not kept in most efficient form for analysis

Each day, inspectors fill out a paper report documenting the hours they spent on inspecting, training, or responding to consumer complaints. These daily reports, referred to by staff as “dailies,” are kept by the Food Safety Program for the duration of the public records retention period. However, they are not analyzed.

There is an opportunity for program management to make a regular practice of entering daily reports into a database for the purpose of analyzing them. Management could better identify areas where inspectors could improve the number of hours they spend on inspections, which could



An inspector uses the iPad and Be Food Safe in the course of an inspection.

Photo by Oregon Department of Agriculture

contribute to reducing the backlog and ensure the program is most efficiently using its staff and their time.

Management also told us they are planning to participate in a pilot project, along with the Oregon Department of Transportation, called TAMS: Time and Attendance Management System. This system would help the program track inspectors' work hours in a digital format, eliminating the step of transferring hours from dailies into a database and avoiding the risk of data entry errors.

According to agency leadership, TAMS is still at least a year away from full implementation. ODA could benefit from adopting a time-keeping system sooner, rather than later, that allows them to analyze inspector hours.

The program could benefit from a designated position for data analysis

The Food Safety Program does not have any staff person whose primary task is to analyze the data available to the program, including the Be Food Safe database. Management, including field operations managers, do not regularly analyze this data because of their other duties.

Be Food Safe was developed by ODA's Food Safety Program in conjunction with the agency's in-house information technology department. One inspector played a large role in developing the program; to this day, she continues to be heavily involved in troubleshooting and adding improvements to the app.

Other inspectors told us it was helpful to have a fellow inspector involved in developing Be Food Safe because she was someone who understood in a practical sense what the application needed to accomplish.

The trade-off for the Food Safety Program of having an inspector be involved in the app's development was one less inspector conducting inspections. That inspector told us that she very rarely conducts inspections anymore because so much of her time for the last two years has been invested in Be Food Safe.

Identifying someone whose role is primarily data analysis could help staff focus on their duties, while also taking advantage of the benefits data analysis can provide.

Additional regulations on the horizon will only add to existing challenges

In January 2011, President Obama signed into law the Food Safety Modernization Act, or FSMA. The goal of the act is to ensure the safety of the country's food supply by shifting the focus from responding to contamination to a focus on preventing it. It was the most sweeping reform of our federal food safety laws in more than 70 years.

Since its enactment, FDA has been developing seven foundational rules to implement FSMA. The last versions of these rules were issued this year. FSMA will have a direct impact on states, as they are expected to adopt and enforce these rules.

This was also the year that saw the beginning of the legal sale and use of recreational cannabis, including edibles such as brownies and candy. Those businesses that produce and distribute edibles will be subject to ODA regulation much in the same way other food production and distribution firms are.

Both the implementation of FSMA and the sale of cannabis edibles will have a significant impact on ODA and the Food Safety Program's workload. With FSMA, inspectors will have new and different regulations to use when conducting food safety inspections. Some of FSMA now covers parts of the industry not previously regulated by ODA.

As a result, ODA anticipates an increase in the number of firms it will license and inspect. Which agency programs this will affect is yet to be determined.

In September, FDA announced it would be awarding \$21.8 million in grant money to help 42 states implement FSMA's produce safety rule. Oregon's share was \$3.5 million, to be spread out over a five-year period.

With the Food Safety Program already facing a backlog in inspections, these looming responsibilities pose even more challenges. The best way ODA can prepare for the additional work is to implement better management practices and other strategies we've outlined before these changes arrive.



Cannabis-infused candy is on display in a store.

Photo by Oregon Department of Agriculture

Recommendations

To work toward the goal of reducing the backlog of food establishments overdue for an inspection, we recommend ODA:

- Develop a process to track the backlog of food safety inspections that are overdue for an inspection.
- Develop a process to track and analyze data on how inspectors are spending their work hours and identify ways inspectors can better meet established goals on how much time to spend on inspection duties.
- Consider providing guidelines on how much time inspectors should spend assisting and educating businesses on food safety regulations.
- Consider doing fewer FDA contract inspections to more easily balance this workload with the program's other duties.
- Consider designating a position for data analysis, rather than relying on inspection staff or management.

To achieve the program's mission of helping prevent the spread of foodborne illness by monitoring the food industry, we recommend ODA:

- Develop, where feasible, partnerships with cities, counties and other agencies, such as the Oregon Liquor Control Commission, to share information about businesses needing inspection and licensing.
- Develop or adjust existing policies and procedures so that field operations managers review a sample of inspection reports from all staff, not just new hires.
- Identify methods that will allow field operations managers to spend more time in the field supervising inspectors.
- Consider developing policies and procedures to audit non-FDA inspections.

To address many of the challenges in staffing facing the Food Safety Program, we recommend ODA:

- Use the agency's own data and the FDA staffing tool to better estimate the program's staffing needs.
- Develop a formal succession plan to prepare for retirements among inspectors.
- Consider reassessing the program structure, classifications and compensations to more fairly reflect the expectations of specialists and field operations managers.

Objectives, Scope and Methodology

Our audit objective was to determine strategies that the Oregon Department of Agriculture could use to improve its Food Safety Program.

To address our audit objective, we interviewed staff with the Food Safety Program, including food safety inspectors, field operations managers, program managers and the program director. We also interviewed the agency's leadership team, including the director, deputy director and assistant director. Interviews addressed current practices.

We spoke to individuals with knowledge of ODA's budget, members of the Oregon Board of Agriculture, and ODA stakeholders, including representatives of Oregon State University, the Oregon Farm Bureau, Friends of Family Farmers and Oregon Aglink. We spoke to representatives from the Legislative Fiscal Office, Food and Drug Administration and state Departments of Agriculture in California, Florida, New York, Washington and Wisconsin.

We reviewed laws and rules related to ODA's Food Safety Program. We reviewed training documents, program policies and procedures, relevant grant and contract documentation, and audits of other food safety programs. We accompanied several food safety inspectors on inspections of businesses to observe how food safety inspections are conducted.

We obtained and analyzed data on the number of licenses ODA issues. Specifically, we wanted to determine how ODA's inspection workload has changed over time. License data is entered directly into their system by inspectors, thereby eliminating paper documentation to compare against. Therefore, we were unable to test the reliability of this data.

We attempted to obtain and analyze data to demonstrate the inspection backlog over time. However, the agency is not tracking these data. We also attempted to analyze how inspectors were spending their daily hours. These data are kept in paper form and are not easily analyzed. We asked management to input this data into digital form so the audit team could analyze it, but found the resulting data to be unreliable and therefore did not use it to draw any conclusions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained and reported provides a reasonable basis to achieve our audit objective.

Auditors from our office, who were not involved with the audit, reviewed our report for accuracy, checking facts and conclusions against our supporting evidence.



Mary Wenger, Director
Oregon Audits Division
255 Capital Street NE, Suite 500
Salem, OR 97310

RE: Improved management practices, use of resources could help Food Safety Program achieve its mission

Dear Ms. Wenger,

Thank you for the opportunity to respond to the Secretary of State's Performance Audit for the Oregon Department of Agriculture (ODA) Food Safety Program.

We are pleased that the audit team chose to focus its review on the ODA Food Safety Program. The program has a relatively new management team, and the managers appreciated the opportunity for an outside assessment of program. We believe the recommendations in the report will help the managers better track how the program is spending its time, address the backlog of inspections, and ultimately manage the program more efficiently.

ODA generally agrees with the recommendations included in the report. The report notes some opportunities to free up inspector time to conduct more routine inspections, and recommends better use of data that the program is already collecting. ODA is fortunate to have a new database with broad reporting and analysis capabilities, and looks forward to fully using these tools to guide the program's performance.

In addition to implementing the recommendations in the report, we have also identified activities such as Machinery and Equipment tax exemption certifications that we plan to transfer to other ODA programs, because these activities are not central to our program's mission of public health protection.

ODA is addressing the specific recommendations in the report in the ways described below.

To work toward the goal of reducing the backlog of food establishments overdue for an inspection, the report recommends that ODA:

- **Develop a process to track the backlog of food safety inspections that are overdue for an inspection.**

The program has already begun to address this recommendation by setting goals to address the backlog and by generating monthly reports from the database to track how we are doing in progressing toward those goals. On a monthly basis, the program will start to evaluate the reports and respond to the backlog in retail, food processing, and high-risk inspections. We plan to continue generating these reports on a monthly basis using a consistent methodology, as well as generating monthly reports of the total inspection backlog across all license types. We will work to develop a



way to track the backlog in a central tracking system and review our data regularly for trends, so that we can shift resources accordingly. As discussed during the audit, firms are evaluated based on risk and those with the highest-risk activities will be prioritized as we work through the backlog.

- **Develop a process to track and analyze data on how inspectors are spending their work hours and identify ways inspectors can better meet established goals on how much time to spend on inspection duties.**

As the report noted, ODA is pursuing a system together with ODOT and DEQ that will allow for web-based reporting and accounting of daily activities. Currently, these reports are completed on paper. To track inspector time between now and the time the web-based system becomes operational, we plan to have inspectors enter their time in simple electronic spreadsheets or a database so they may be submitted, reviewed and electronically tabulated.

- **Consider providing guidelines on how much time inspectors should spend assisting and educating businesses on food safety regulations.**

The program will develop operational guidelines describing what is considered “compliance assistance and education” versus “inspection” time, since these activities are often conducted together on the same visit, and provide guidelines on how much time inspectors should spend on assistance and education. In addition, ODA believes that better tracking of how inspectors spend their time will assist us in better characterizing the range of staff time spent on education and other consultation activities.

We believe that assistance and education are key tools to help licensed firms achieve and maintain compliance, and that given the variability in licensed firms, varying amounts of time may need to be invested. However, we also recognize that it is ultimately the firm’s responsibility to comply and that it will be helpful to our staff to provide some parameters describing the assistance that we can and cannot provide to licensees.

- **Consider doing fewer FDA contract inspections to more easily balance this workload with the program’s other duties.**

While we believe that conducting FDA contract inspections offers benefits to our Oregon regulated firms and to the program, including access to FDA-funded, specialized FDA training courses and improved quality of all types of inspections we perform, we agree that contract inspections are more time-consuming and result in less retail inspections being completed. Our current contract year expires at the end of July 2017, and we will work with FDA to explore opportunities to further reduce the number of contract inspections going forward.

- **Consider designating a position for data analysis, rather than relying on inspection staff or management.**

Because data analysis responsibilities may reduce time available to conduct inspections, we will explore alternative staffing options to handle data analysis. We plan to seek assistance from other programs in ODA to identify the data elements that we should be tracking, set a tracking frequency, begin generating regular reports with this information, and adjust and allocate resources based on the additional data.

To achieve the program's mission of helping prevent the spread of foodborne illness by monitoring the food industry, we recommend ODA:

- **Develop, where feasible, partnerships with cities, counties and other agencies, such as the Oregon Liquor Control Commission, to share information about businesses needing inspection and licensing.**

The report makes this recommendation because county, city, and other agency staff sometimes interact with businesses that need an ODA Food Safety license, but have not yet obtained one. For example, a local government may issue a plumbing permit to a new convenience store, or OLCC may license a new distillery. The audit correctly notes that while we have relationships with many counties and individual inspectors at OLCC to share information about businesses such as these, we do not have a formal plan or structure.

We believe that our current work with OLCC to license and inspect cannabis edible firms will help us also develop a closer working relationship with OLCC related to firms that produce and sell alcoholic beverages, and identify a plan/structure to share this information. We will also work with our partners at Oregon Health Authority, county health departments, and other related agencies such as plumbing inspection agencies to establish a process to better identify businesses needing inspection and licensing.

- **Develop or adjust existing policies and procedures so that field operations managers review a sample of inspection reports from all staff, not just new hires.**

The current field operations manager vacancy limits our ability to implement this recommendation immediately; however, we will work to incorporate this recommendation into our policies and procedures, and into position descriptions of field operations managers and lead workers. We are currently recruiting for the vacant field operations manager position and hope to hire the new manager soon.

- **Identify methods that will allow field operations managers to spend more time in the field supervising inspectors.**

One of our key strategies to accomplish this recommendation will be to discontinue our participation in the Manufactured Food Regulatory Program Standards (MFRPS) project after our current cooperative agreement with the FDA expires July 31, 2017. The report notes that MFRPS has been valuable to the program in establishing policies, procedures, and training, but it has also consumed a significant amount of staff and manager time.

We will assess the benefits of leaving the MFRPS program and calculate the potential time saved for our field operations managers to spend more time with staff. It is likely that additional strategies, such as bringing on a third field operations manager, may be needed in the long term, but this is dependent on the ability of ODA to receive approval for new positions.

▪ **Consider developing policies and procedures to audit non-FDA inspections.**

We plan to develop policies and procedures to field audit non-FDA inspections and involve our lead workers in field auditing these inspections.

To address many of the challenges in staffing facing the Food Safety Program, we recommend ODA:

▪ **Use the agency's own data and the FDA staffing tool to better estimate the program's staffing needs.**

As part of enhanced data analysis efforts, we plan to determine how to best gather these data and regularly update them to better estimate our staffing needs based on program priorities, new demands for services such as FSMA inspections, and technological changes in food businesses. The agency will use this information to develop strategies to best address program needs and develop future agency budget requests.

▪ **Develop a formal succession plan to prepare for retirements among inspectors.**

We plan to build upon an existing list of specializations that our inspectors possess and develop training plans and lead trainers for each specialization. Conducting this work will help the program to absorb knowledge loss from both retirements and departures for other reasons (moving on to FDA, for example). We have been doing some of this work informally already, but agree that it would be beneficial to formally develop more structured succession plans.

▪ **Consider reassessing the program structure, classifications and compensations to more fairly reflect the expectations of specialists and field operations managers.**

We have already started to pursue a compensation structure for our field operations managers that will more fairly reflect the responsibilities and importance of these positions. We will continue to pursue this issue with the Oregon Department of Administrative Services.

Conclusion

Once again, thank you for the learning opportunity the audit provided to our management team, and for the chance to respond to the recommendations raised in the report. We believe the audit has been helpful to the program and the agency and appreciate the thoroughness and professionalism of the audit team.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Hanson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Lisa Hanson
Acting Director

cc: Katy Coba, Director, Oregon Department of Administrative Services

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out 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 is authorized to audit all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Audit Team

William Garber, CGFM, MPA, Deputy Director

Sandra Hilton, CPA, Audit Manager

Kyle Rossi, Senior Auditor

Laura Fosmire, MS, Staff Auditor

This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

website: sos.oregon.gov/audits

phone: 503-986-2255

mail: Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

The courtesies and cooperation extended by officials and employees of the Oregon Department of Agriculture during the course of this audit were commendable and sincerely appreciated.



November 28, 2017

Will Garber, Deputy Director
Oregon Secretary of State, Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

Dear Mr. Garber:

The Oregon Department of Agriculture is pleased to share its one year progress report in response to Secretary of State audit report published in November 2016. Attached is the audit follow-up form summarizing our progress to implement each recommendation, as well as supporting documentation.

We believe the audit recommendations have been tremendously helpful to the program. As a result of the audit recommendations, the program has improved tracking and oversight of its inspection backlog, and has developed and deployed an electronic inspector time tracking system. The program has also reduced its federal work to free up both managers and staff to spend more time in the field on routine inspections.

Field operations managers are spending more time in the field with staff and tracking their time in the field. We recently completed two assessment forms, one for written reports and one for inspection ride-alongs, that field operations managers will use to promote quality assurance and consistency. We have also re-classified the field operations managers so that their salary more accurately reflects the expectations of these positions.

The program has reduced its backlog of overdue inspections significantly through a combination of data quality improvements, communication with inspectors, and training. At the time the audit report was published, the program's backlog was at 2,841, and today, it is 739.

While many of the report recommendations have been completed, some are still in progress. We will continue to place a high priority on completing the remaining recommendations, and we plan to continue reducing our inspection backlog, prioritizing high risk establishments.

Once again, we are grateful for the outside review of the Food Safety program and believe the program has been strengthened as a result of the auditing and audit implementation process. We also welcome any additional feedback that you have for us after reviewing our progress report and supporting documentation. If you have any questions about the enclosed report, please contact Stephanie Page at (503) 986-4727.

Sincerely,

Alexis M. Taylor, Director

From: **Stephanie A Page** spage@oda.state.or.us
Subject: Notification regarding ODA Food Safety Program's inspection backlog
Date: April 5, 2018 at 12:27 PM
To: ROSSI Kyle A * SOS Kyle.A.ROSSI@oregon.gov
Cc: Lauren Henderson lhenderson@oda.state.or.us, Isaak C Stapleton istapleton@oda.state.or.us

Dear Kyle,

We wanted to follow up on our recent phone conversation with you with some more information regarding the ODA Food Safety Program's backlog of overdue inspections. As we discussed, the program recently discovered an issue with our database that caused our backlog to be much larger than we thought it to be. Below are some more details about the issue and our efforts to address it.

1. Description of the issue

An error in the code in our Food Safety Program database caused the database to fail to advance the number of days since many firms' last inspections. When a firm's profile was edited, the database would suddenly recognize and update the number of days since its last inspection.

A recent large-scale staff territory reassignment brought the error to our attention. As firms were reassigned to new staff, the database suddenly recognized that the firms' profiles had been edited, causing them to suddenly appear on the overdue inspection list and causing the size of the list to double within a few days.

2. What the program has done to address the issue

Our managers quickly investigated the issue together with ODA's database developers and discovered the cause of the problem. ODA's database developers have fixed the problem and the database now appears to be producing accurate overdue inspection reports.

3. Current backlog of overdue inspections

Prior to discovering the coding error, we had thought our backlog of overdue inspections was about 550. Unfortunately, since the discovery and correction of this error, we have realized that the backlog is actually about 2,300 overdue firms.

4. Plan to address the current backlog, including ongoing efforts and any new strategies identified

Prior to discovering the database coding error, we had already taken several actions to reduce our backlog, including providing training to our staff on how to run overdue inspection reports on their iPads, reminding our staff on a monthly basis to run reports of their overdue firms, and directing them prioritize overdue firms for inspection, with an emphasis on high-risk firms. We also directed our staff to reconcile firms' inspection intervals with their risk profiles, so that all firms had an appropriate inspection interval programmed into the database, and created a new database report that allows managers to identify firms whose inspection interval does not match their risk profile.

On a quarterly basis, our managers have generated a report summarizing each inspector's backlog of low, medium, and high-risk firms. This format allows managers to track and respond to trends in overdue inspections. Unfortunately, the database coding error makes it very difficult for us to know for sure whether the improving trends that we were seeing were actually happening. We plan to continue generating the quarterly report of each staff person's backlog of high, medium, and low risk firms, and now that the database error has been corrected, the trends that we observe going forward should be correct.

We will also continue reminding our staff every month to prioritize overdue firms for inspection. In light of the new information about our backlog, however, we plan to send printed overdue inspection reports to our staff, rather than directing our staff to generate their own reports on their iPads, because the longer lists of overdue firms are easier to view in printed form than on iPads.

We will also continue and enhance our efforts to track productivity as described in our November 2017 audit progress report, deploy inspectors who are caught up to help address backlogs in other areas of the state, and minimize non-inspection activities such as outreach and engagement. We will also regularly conduct quality assurance reviews on the data in our database, to help identify opportunities to improve data quality and better deploy our staff resources.

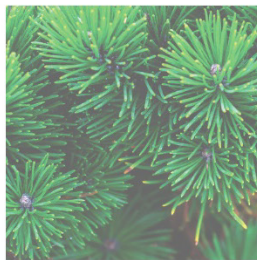
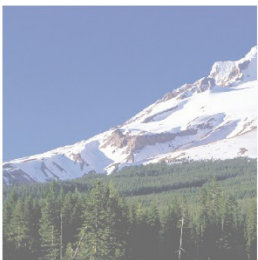
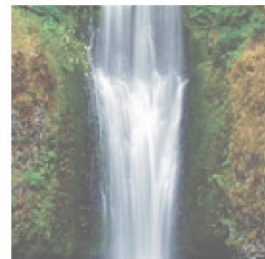
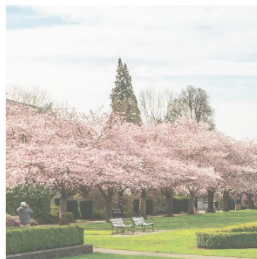
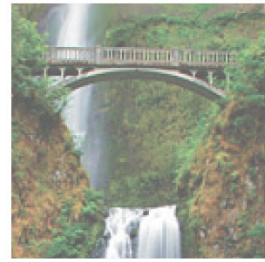
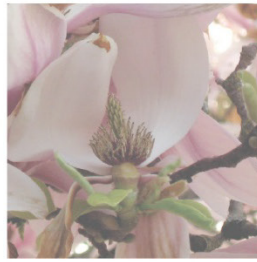
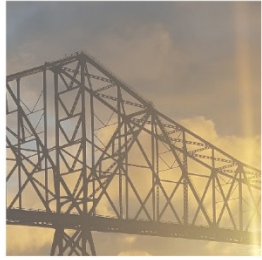
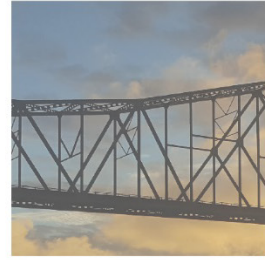
We have notified our Food Safety Advisory Committee of the backlog and have also asked for their feedback regarding additional strategies to address the program's backlog. Our management team will continue to explore additional strategies together with the advisory committee in the future.

Please contact Isaak Stapleton at (503) 986-4713 or by email if you have any questions about this issue or about our plans. Thanks again for your guidance on how to address this issue, and we hope to be able to report progress on our new backlog total in the future.

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Secretary of State Oregon Audits Division



Department of Administrative Services
**Opportunities Exist to Increase the Impact of State
Agency Internal Audit Functions**

August 2018
2018-25

Secretary of State Dennis Richardson
Audits Division Director Kip Memmott

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Secretary of State Audit Highlights

August 2018

Department of Administrative Services

Opportunities Exist to Increase the Impact of State Agency Internal Audit Functions

Report Highlights

When internal audit functions are properly structured and resourced, they are a valuable asset for mitigating risks and improving agency performance and accountability. However, internal auditing has not been a priority in Oregon. Although the Department of Administrative Services (DAS) has the authority to create policy and a legal requirement to support audit functions, the agency has not strategically promoted the role of internal audit functions due to a number of factors. DAS has not effectively monitored, coordinated, or reported on internal audit function impacts, challenges, and resource needs to state legislators and other stakeholders.

Background

Internal audit functions help organizations achieve their objectives and improve performance. The Oregon Legislature determined internal audit activities within state government should be coordinated to promote effectiveness, and directed DAS to adopt rules and set standards to ensure the integrity of internal auditing.

Purpose

The purpose of this audit was to determine the steps DAS should take to more effectively coordinate state internal audit functions, and what actions can be taken to increase the impact of these critical functions.

Key Findings

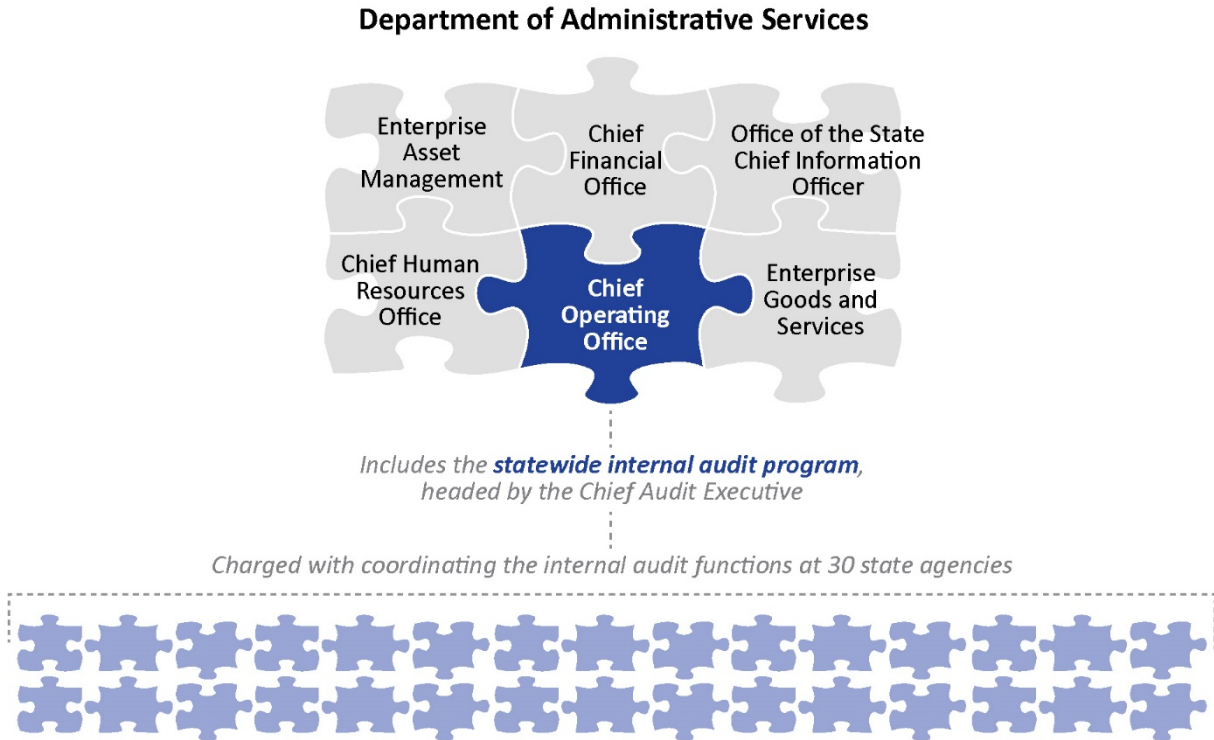
1. The effectiveness of an agency's internal audit function is defined by the tone at the top. In general, the internal audit function at state agencies in Oregon is not prioritized or well understood by agency management and the Legislature. Many current challenges and deficiencies have persisted for more than two decades.
2. Internal audit independence and impact is directly influenced by the effectiveness of the audit committee and the committee's relationship with agency leadership. Internal audit functions in some state agencies do not follow important elements of professional audit standards that ensure independence from management. These deficiencies reduce the effectiveness of the functions and leave agencies more vulnerable to fraud, wasted taxpayer dollars, and other substantial risks.
3. Poor guidance and a lack of strategic management and effective coordination from DAS has contributed to internal audit challenges at state agencies. DAS reporting on statewide internal audit activities and impact could be a valuable tool for both internal auditors and policymakers, but DAS reports are often inaccurate, confusing, and uninformative.
4. Many internal audit functions are staffed by well-trained, qualified professionals who make contributions to the agencies they serve despite governance and resource challenges. With additional emphasis and resources they could increase their value and return on investment potential.

Recommendations

Our report includes 16 recommendations to DAS intended to enhance the value and impact of state agency internal audit functions. DAS agreed with 13 of 16 recommendations. The agency declined to say whether it agreed or disagreed with three recommendations.

Introduction

Internal auditors help state agencies identify risks and resolve challenges so that these agencies may provide the best possible service to Oregonians. State law requires agencies that meet specific criteria to maintain internal audit functions. The purpose of this audit was to determine the steps the Department of Administrative Services (DAS) needs to take in order to more effectively coordinate, promote, and publicly report on state internal audit functions, and to determine what state agency internal audit functions need to be more effective.



Internal auditing helps manage risk and improve performance

Auditing occurs in private sector companies, nonprofit organizations, and every level of government. In government, auditing advances principles that are critical to managing public resources, such as accountability, transparency, integrity, and equity.

Recent polls have found Americans' trust in federal and state government is in decline. In 2016, Gallup found over 40% of Oregonians did not have confidence in their state government, a number that ranks it lower than most other states.¹ Auditors' work can increase public trust by providing analysis and recommendations related to effectiveness of governance, programs, and services; compliance with rules, laws and legal agreements; assessment of risks and threats; and investigations of potential fraud and abuse.

¹Gallup. (2016). 2015 Gallup 50-State Poll. Retrieved from <http://news.gallup.com/poll/189281/illinois-residents-least-confident-state-government.aspx>

Agency management benefits from the services internal auditors can provide. Internal auditors can help organizations identify, understand, and mitigate a variety of risks related to internal controls, which helps agencies achieve their objectives and improve performance.² Audit work can lead to positive outcomes including:

- improved programs and services;
- cost savings;
- increased revenue;
- improved accountability for performance;
- improved awareness of risks; and
- prevention of future problems.

Organizations without strong internal audit functions or those that do not heed auditor advice run the risk of adverse circumstances. For example, in early 2018, an internal audit warned the City of Atlanta of key information technology vulnerabilities. City officials did not address the risk, and shortly after, city information systems were held at ransom by hackers. Services were incapacitated for more than a week before city officials agreed to pay over \$50,000 to unlock the computer systems.

The Association of Local Government Auditors describes internal auditors as a wise investment, citing audits that led to significant public savings, increased revenue, improved performance, or discovery of fraud:

- Auditors in the Nevada Department of Health and Human Services identified \$19 million in annual savings;
- An internal audit in Arizona made recommendations to improve case management and family investigations; and
- An internal audit in Massachusetts identified potentially widespread fraud and abuse related to overtime claims for shifts not worked, and led to investigations of 42 state troopers.

There are some key differences between internal and external auditors

There are two types of audit functions, internal and external. While there are a number of similarities between the two types, such as the expectation auditors remain independent and objective and adhere to professional auditing standards, there are also key differences. In Oregon, the Secretary of State's Audits Division performs external audits of the executive, legislative, and judicial branches while internal audit functions serve within state agencies.

Internal auditors develop a thorough understanding of their organization's governance structure, programs and services, and risks. If properly structured and resourced, they provide critical and timely ongoing support and advice to management. They can also find areas to increase efficiency and effectiveness and proactively identify potential negative issues and outcomes. In the private sector, the director of internal audit is often considered an integral part of a company's management team. At the federal level, the Offices of Inspector General essentially serve as the internal audit function. They are structured to be highly independent and sometimes release reports critical of their agencies.

The importance of internal auditing in the private sector

National legislation has increased reporting and monitoring requirements in reaction to corporate and accounting scandals. In 2017, a number of senior executives were held personally liable in cases of corporate fraud, including executives at Wells Fargo and Volkswagen. In order to be listed in major stock exchanges, such as the New York Stock Exchange, companies must establish and maintain an internal audit function.

² Internal control is defined as a process, effected by an entity's board, management, or other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

Internal Auditors	External Auditors
Employees of the organization being audited	Employees of an outside organization
Independent from the activities they audit	Independent from the organizations they audit
Primary customers are agency management and governing boards	Primary customers are elected officials, the public, and audited agencies
Usually responsible for auditing one organization/agency	Responsible for auditing multiple organizations/agencies
Provide ongoing monitoring	Provide intermittent audits

While government external auditors provide recommendations for agencies to improve operations, they also serve the public and oversight groups such as state legislatures. At the federal level, the U.S. Government Accountability Office (GAO) is the external auditor of the executive and judicial branches on behalf of Congress, and an Inspector General within the GAO has the authority to audit Congress. In Oregon, this role is provided by the Secretary of State’s Audits Division. Our state audit function is somewhat unique among state agencies in that the Secretary of State is an independent agency and has the authority to audit the legislative branch as well as the executive and judicial branches.

In a system where internal and external audit functions are both operating well, government leaders receive objective information and forward-looking advice from internal auditors in order to make decisions, and external auditors provide assessments of whether those decisions were made in the public’s best interest.

Professional standards govern internal and external auditors

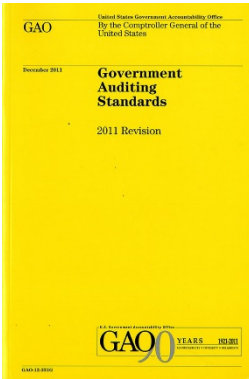
Many professions — such as medicine, law, education, and public safety — have developed standards to guide the work of practitioners and ensure the consistent delivery of quality services. For auditors, standards are not simply guidelines but provide a formal framework for the auditing profession.



Public internal and external auditors in Oregon generally follow one of two sets of professional standards that provide guidance on the nature of audit services and how they should be provided. The two sets of standards contain similar principles, but have some differences.

The Institute of Internal Auditors³ (IIA) developed the International Professional Practices Framework for internal auditing, commonly known as the IIA Red Book standards. External governmental auditors typically follow the Generally Accepted Government Auditing Standards established by the United States Government Accountability Office, commonly known as the GAO Yellow Book standards. The Secretary of State’s Audits Division adheres to GAO Yellow Book standards, while most of the state’s internal audit functions have adopted the IIA Red Book Standards.

³ The Institute of Internal Auditors is an international professional association of more than 170,000 members.



Shared subjects include audit independence, competency, access to personnel and records, sufficiency of evidence, reporting, ethics, and quality control. Periodic peer reviews are a key part of audit quality control.⁴ These ensure audit functions are in compliance with auditing standards.

While most internal audit functions in state agencies strive to follow the IIA Red Book standards, applying them in a public setting is often challenging given the differences between operations in the public and private sectors.⁵ See the Other Pertinent Information section in this report for more detail on these challenges.

External auditing has a long history in Oregon

Oregon's territorial statutes of 1854 called for an auditor to report recommendations "for lessening the public expenses; for using public money to the best advantage; for promoting frugality and economy in public offices; and generally, for the better management and more perfect understanding of the fiscal affairs' of the state." One such recommendation was made by territorial auditor B.F. Bonham in 1857. He stated, "The amount appropriated by the Legislative Assembly (\$2,500) annually for the support of the penitentiary department, is wholly inadequate for that purpose, and must be increased unless a reorganization can be effected."

WEIGHING PAPER PURCHASED FOR THE STATE.

Soon after taking charge of this office I bought a pair of scales for the purpose of weighing paper which is purchased by weight for the public printing. The first lot of paper received for the state printer after the scales were obtained fell short of the weight charged in the bill several hundred pounds, amounting in value to about nineteen dollars (\$19), which sum was deducted from the bill. Since then full weight has been required. This has no doubt saved to the state many times the cost of the scales. Previous to the time mentioned thousands of dollars worth of paper had been received and paid for every year on bills of shippers without being weighed here to verify the correctness of the weight charged in the bills.

Drafted that same year, the Oregon Constitution calls for the Secretary of State to be the "auditor of public accounts." Beginning then and continuing to today, our office provides external auditing for the state. The Oregon Audits Division's work includes performance audits, which focus on what agencies can do to meet their mission more efficiently and effectively. In 1897, the earliest known performance audit in Oregon was released. This audit examined the weight of paper the office received and compared it to what was charged, then reported the discrepancy.

DAS serves a key role for state internal auditing

In 1991, DAS first established optional guidance in the Oregon Accounting Manual that suggested when agencies should establish and maintain an internal audit function.⁶ An external audit conducted by the Oregon Audits Division in 1996 noted that this policy became mandatory in 1993. That audit, and a follow-up audit in 2003, found many of the agencies that met the criteria had not established internal audit functions, and some of the established internal audit functions failed to meet expectations in professional standards and state policy.

⁴ IIA Red Book standards require peer reviews every five years. GAO Yellow Book standards require peer reviews every three years.

⁵ OAR 125-700-0135 requires agencies to "select appropriate professional auditing standards to follow."

⁶ The Oregon Accounting Manual is established by DAS to ensure consistency in the application of accounting principles, provide guidance on internal controls, and provide guidance on compliance with laws and policies.

In 2005, the internal audit function requirement became state law.⁷ The Oregon Legislature determined internal audit activities within state government should be coordinated to promote effectiveness and directed DAS to adopt rules and set standards to ensure the integrity of internal auditing. These and other key dates in the history of the Oregon's internal auditing function are shown in Figure 1.

DAS developed the criteria for which agencies should be required to establish, maintain, and support an internal audit function:⁸

- Agencies with at least \$100 million in biennial expenditures; or
- \$10 million in annual cash or cash equivalent processed; or
- 400 or more full time equivalent staff (FTE).

For the agencies that meet this criteria, DAS developed rules⁹ that require these agencies to:

- Select appropriate professional auditing standards;
- Develop an internal audit charter;
- Establish and maintain an audit committee;
- Develop an audit committee charter;
- Include a member of the agency governing board or commission on the audit committee, if applicable;
- Prepare an audit plan based on the most recent agency risk assessment;
- Select and perform at least one audit from the risk assessment annually;
- Audit a topic related to the agency's governance and risk management process at least once every five years;
- Submit a report covering internal audit activities in the preceding fiscal year to DAS; and
- Obtain an external peer review in accordance with chosen professional auditing standards.

DAS prepares an annual report on internal audit activities, which it submits to the Joint Legislative Audit Committee.¹⁰ In the fiscal year 2017 report, DAS reported 30 agencies were determined to have met one or more of the three criteria of the requirement.

The Chief Audit Executive Council supports DAS in coordinating internal audit activities

The Chief Audit Executive Council, with representation from all state agency internal audit functions, supports DAS in their task of coordinating internal audit activities. Although the Council does not have the authority to carry out all the responsibilities delegated to DAS by the Legislature, DAS considers them a valuable partner. The council meets quarterly to collaborate, share information, promote effective internal auditing, and advise DAS on internal audit matters.

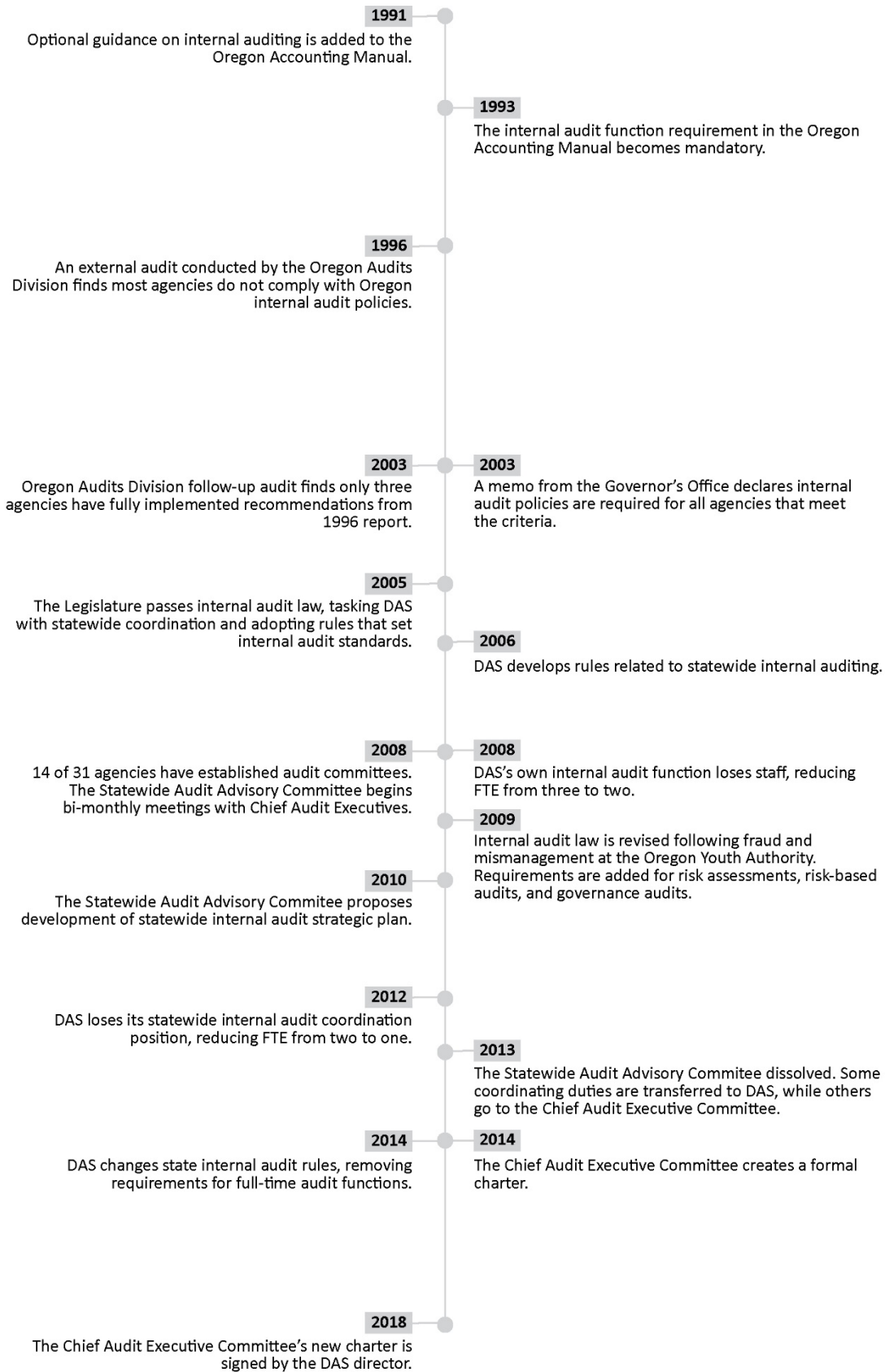
⁷ ORS 184.360.

⁸ Oregon is one of many states that requires agencies meeting particular criteria to establish and maintain an internal audit function.

⁹ OAR 125-700.

¹⁰ Members of the Joint Legislative Audit Committee include the co-chairs of the Joint Committee on Ways and Means, members of the House of Representatives as appointed by the Speaker of the House, and members of the Senate as appointed by the Senate President.

Figure 1: Timeline of the internal audit function in Oregon state agencies



Objective, Scope, and Methodology

Objective

This audit had two objectives. The first was to determine the steps DAS needs to take in order to effectively coordinate and promote the internal audit function at state agencies. Our second objective was to determine what state agency internal audit functions need to be effective. The audit focuses primarily on statewide governance and internal audit resources. While we provide examples of specific state agency audit function successes and challenges, these examples are meant to illustrate larger themes. All recommendations are written to DAS with the intent of addressing both statewide and individual internal audit function risks and opportunities.

Scope

This audit focused on DAS's efforts to coordinate and promote internal auditing throughout the state and on internal audit activities at the 30 state agencies known to meet criteria requiring them to establish and maintain an internal audit function. A complete list of such agencies can be found in Appendix A.

Methodology

To address our objectives, we used a methodology that included, but was not limited to: conducting interviews, administering an online survey and analyzing results, and reviewing documentation.

We conducted interviews with agency directors, the co-chairs of the Joint Legislative Audit Committee, and representatives of auditing organizations and other state auditing entities. We also met with each agency's Chief Audit Executive or equivalent during the course of our audit. To learn about the views, opinions, and perspectives of major stakeholders, we administered online surveys to agency heads, audit committee chairs, and internal audit staff at the 30 state agencies known to meet criteria requiring them to establish and maintain an internal audit function. We received a 100% response rate for each of the three surveys.

We reviewed Oregon state laws, administrative rules, and Oregon Audits Division audit reports related to internal auditing. We also requested and reviewed available internal audit documentation from each of the state agencies within our scope. Internal audit documentation included risk assessments, audit plans, internal audit reports, internal audit function charters, audit committee charters, and related policies and procedures.

To gain an understanding of practices in other states, we interviewed state officials and reviewed supporting documentation or legislation from the following states: Illinois, Louisiana, Michigan, Minnesota, New York, North Carolina, Tennessee, Texas, and Utah. To gain an understanding of standards and best practices in the field of internal auditing, we interviewed representatives and reviewed materials from professional auditing organizations such as the GAO, IIA, and Association of Local Government Auditors.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained and reported provides a reasonable basis to achieve our audit objective.

We sincerely appreciate the courtesies and cooperation extended during the course of this audit by officials and employees of DAS and within each of the internal audit functions we reviewed.

Audit Results

While there are examples of individual functions performing effectively, overall there is a substantial opportunity to increase the value and impact of state agency internal audit functions. When properly structured and resourced, audit functions can provide a substantive return on investment. Agency audit functions are particularly critical during periods of financial or operational challenges and risks, as Oregon state government often faces.

The state's historical governance and oversight framework for state agency internal audit functions has been ineffective and several state agencies lack basic elements of an internal audit function. Other agencies have many or some elements of an effective internal audit function in place but can further strengthen their role with additional enhancements.

Internal audit functions at state agencies generally need to strengthen efforts to meet professional auditing standards, state requirements, and best practices — specifically in areas around internal audit independence, productivity, resources, professional development and training, and compliance with state policy. Despite these challenges, internal auditors have provided significant and positive contributions to state government, and have the potential to provide even greater value. Examples of specific positive impacts are cited later in the report.

While individual state agencies are ultimately responsible for following professional standards and complying with state requirements, DAS should spearhead efforts to maximize internal audit impact. DAS can provide improved guidance, identify and advocate for resource needs, support training and professional development and produce an accurate and informative annual report to promote the value of audit to key stakeholders.

Internal auditing has been persistently undervalued and neglected by state leadership

In general, the internal audit function is not prioritized or well understood by agency management and the Legislature. Many current challenges and deficiencies have persisted for more than two decades. While agency directors consistently reported the internal audit function provides a valuable service to them and their agencies, directors were largely unaware of the specific activities of their own audit functions. This lack of understanding and prioritization has led to a significant decrease in internal audit staffing.

Internal auditing is not a priority in the state

Internal audit deficiencies identified more than twenty years ago persist today. An audit conducted in 1996 by the Secretary of State found most agencies required to establish and maintain an internal audit function had not done so.¹¹ For those agencies that had established functions, the audit identified issues similar to those described in this audit. The deficiencies were in such areas as audit charters, audit committees, external quality assurance reviews, audit follow-up, performance measures, risk assessments, information system audit training, and formalized audit products.

Auditors in 1996 found the primary cause for issues identified was the low priority given to internal auditing on the part of agency management. This issue of prioritization persists today, more than twenty years after the initial report. We found this lack of prioritization for internal auditing occurs on several levels. Some agencies have requested resources to establish the internal audit function multiple times, but they have not been approved by either the Governor's

¹¹ Oregon Audits Division Report No. 1996-53.

Office or the Legislature. In addition, some agencies have held approved internal audit positions open for years at a time to create budget savings.

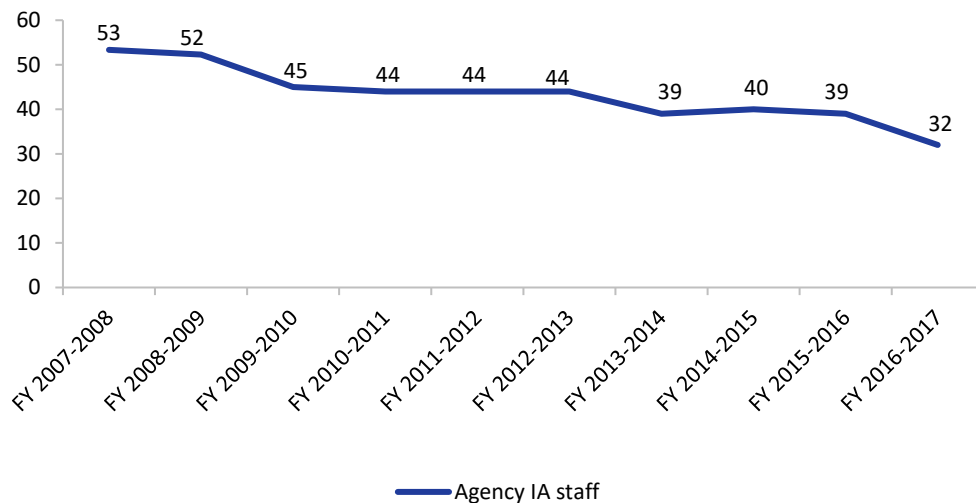
Legislative denial of additional funds for internal auditing does not absolve the agency of its responsibility to establish the audit function, as agencies are required to do so “within existing resources.”¹² Some agencies, such as the Oregon Department of Fish and Wildlife, repurposed other funds for the internal audit function. However, this may be difficult for some agencies that face chronic resource shortages in areas that provide direct service to Oregonians and are fundamental to fulfilling core missions. For example, recent Secretary of State audit reports have found shortages in caseworkers at the Department of Human Services,¹³ lab technicians at Oregon State Police,¹⁴ and permit technicians at the Department of Environmental Quality.¹⁵

These issues stem in part from the consistent budget shortfalls the state has experienced. Policymakers face intense, competing demands for limited resources, and the priority of internal auditing in the state has diminished over time. Oregon is not alone in this regard, as internal auditing and investigations are among the first areas cut by agencies in many states facing fiscal challenges. However, this practice is counter-productive, as auditors are especially helpful to management in finding opportunities for agency improvement, cost savings, and additional revenues — opportunities that become especially valuable in times of budget shortfalls.

Internal audit staffing has declined to an all-time low

Internal audit staffing in Oregon is at its lowest level ever recorded, as depicted in Figure 2. Of the 30 agencies we examined for this audit, all but six have only a single auditor, and some of the single audit positions are vacant. Within the 30 agencies, the number of internal audit staff has decreased approximately 40%, from 53 staff a decade ago to 32 today. Internal auditors and other stakeholders are nearly unanimous in their opinion that internal audit functions within the state are under-resourced. As a result, many agencies face challenges in recruiting and retaining auditors and meeting professional standards.

Figure 2: Statewide internal audit staff has decreased significantly over the last decade



Note: This chart includes only the 30 agencies reviewed as part of this audit.

¹² OAR 125-700-0125.

¹³ Oregon Audits Division Report No. 2018-05.

¹⁴ Oregon Audits Division Report No. 2015-30.

¹⁵ Oregon Audits Division Report No. 2018-01.

Reductions in internal audit staffing over time have compounding negative effects. Agencies struggle to hire and retain auditors due to the lack of developmental positions for early-career candidates, inflexible minimum qualifications for audit experience, and few opportunities for promotion. Internal auditors are often recruited from other agencies in the state, resulting in another vacancy elsewhere.

The 2017 DAS annual internal audit report to the Legislature identified five vacancies among the 32 budgeted internal audit FTE. Past reports document multi-year internal audit position vacancies. Agencies have experienced difficulty finding qualified internal audit candidates, resulting in a number of failed recruitments that contributed to long vacancies. Also, past DAS annual reports have noted that internal audit positions were often held open for budget savings.

Smaller audit functions may have additional challenges. Single-person audit functions struggle to meet all aspects of professional auditing standards as they cannot review their own work. Some have agreements to review each other's work, but many do not. As such, internal audit functions would benefit from enhanced central coordination to ensure audit work complies with standards despite limited resources.

Historically, DAS has failed to take a strong leadership and oversight role of state internal audit functions. For example, DAS has reduced its own internal audit staff from three FTE to a single auditor. This one person is responsible for assessing risks in the agency that provides centralized administrative services to many other agencies, as well as coordinating internal audit activity statewide. Despite this significant responsibility, the sole DAS position is classified at the same level or below other Chief Audit Executives (CAEs)¹⁶ in the state. Due to the lack of DAS support for the internal audit function, additional state coordination duties of the DAS Chief Auditor, and a classification and compensation lower than peers in the state, many of the top internal auditors in the state declined to apply for the DAS audit position during its most recent recruitment.

Position classifications and organizational placement of Chief Audit Executives diminishes internal audit influence

In the private sector, internal auditors are often considered an integral part of a company's management team. They typically report administratively to the company Chief Executive Officer or Chief Financial Officer and functionally to the organization's audit committee.

Each state agency internal audit function is led by a CAE, but the classification and compensation of this position varies. Some agencies classify their CAE as a mid-level manager, which pays at a higher rate than the classification used by other agencies, but is still lower than is generally found in the private sector. While this is not inherently problematic, it may undermine opportunities auditors have to inform and influence their agency's senior management. Nearly a third of CAEs (29%) responded that they are not a member of their agency's executive leadership team and do not have a "seat at the table" for important strategic conversations.

State rules require that CAEs report administratively to an agency head or their executive designee. Many state agencies satisfy this rule by placing this responsibility with a deputy director, and only the Department of Environmental Quality reported the internal audit function reports at a lower level of management. Regardless of where the audit function reports, it is still important for the agency director to understand the work, impact, and challenges of their audit function. This is because agency directors determine the budget priorities of the agency, and are

¹⁶ The CAE is the highest-ranked auditor in any given organization, though they may vary in title and job classification.

ultimately responsible for implementing the recommendations of auditors and ensuring adequate controls within the agency.

Some state agency directors lack understanding of internal audit operations

While agency directors consistently noted the value of internal auditing and are generally informed on its purpose and role, many are not knowledgeable about aspects of the operations of their audit functions. Some agency directors were unaware of significant elements of the audit function, such as how audit results are communicated, whether their audit function conforms to professional standards, or if their audit function has performance metrics and a strategic plan.

Elements that agency directors were least likely to be informed about included:

- 22 out of 30 (73%) did not know both the timing and results of the most recent external review;
- 15 out of 30 (50%) could not describe the methods used for risk assessment;
- 19 out of 30 (63%) could not provide information about their agency's use of contracted services;
- 19 out of 30 (63%) did not know whether the internal audit function used interns and rotational staff;
- 15 out of 30 (50%) did not know the professional standards used in their agency;
- 17 out of 30 (57%) could not describe how fraud risk is considered in the agency risk assessment;
- Four agency directors did not know whether they had a vacancy in the CAE position in the last five years; and
- Of the 14 agency directors that reported vacancies, seven (50%) did not know both the duration and reason for the vacancy.

Some of these areas, including external reviews, risk assessments, and vacancies in audit positions, are among the issues highlighted in this report.

Improperly structured and resourced internal audit functions have limited impact and face increased financial and performance risks

While there are examples of individual functions performing effectively, overall there is a substantial opportunity to increase the value and impact of state agency internal audit functions. We examined 30 state agencies required to maintain an internal audit function and found several critical issues that threaten the independence or objectivity of many of these functions. Audit functions face threats from lack of clear dual-reporting structures, lack of audit committee independence from agency management, insufficient audit committee charters, or audit staff performing non-audit operational responsibilities.

Many of these agencies also do not consistently meet state requirements for risk assessments, audit planning, mandated audits, and external quality assurance reviews. Further, agencies that contract audit work may not be receiving optimal value for these services. Currently, there is a lack of analysis to determine whether replacing permanent audit staff with contracted services offers savings to agencies. DAS does not track use of audit contracting to determine if agencies are complying with state procurement rules and to assess cost-effectiveness of these services. As a result of the internal audit function weaknesses we have identified, many agencies may incur opportunity costs in the quality and efficiency of their services, and face increased risk of fraudulent activity or misuse of public resources.

Internal audit functions face threats to independence and objectivity

Organizational independence from agency management is a critical requirement for a successful internal audit function. Without such independence, agencies may, intentionally or unintentionally, cultivate an environment that discourages transparency, prevents internal auditors from identifying and reporting risks, and creates conflicts of interest when internal auditors are required to perform non-audit function operational duties. In extreme circumstances, an internal auditor can be threatened and intimidated by managers who wish to hide unfavorable findings, or prevent auditor access. More commonly, auditors who lack independence may have limited access to and cooperation from agency personnel. They may not be able to gain traction in implementing their recommendations, making the value and impact of their work minimal.

In order to achieve independence and promote objectivity, state agencies should set a dual-reporting structure for the internal audit function, establish an independent audit committee, develop an audit committee charter describing the role and authority of the committee, and ensure auditors do not have responsibilities in areas they are also responsible for auditing.

Within a dual-reporting structure, CAEs report to the agency director or their executive designee for administrative issues such as work schedules, leave time, and logistical concerns. Conversely, the internal auditor reports functionally to the audit committee, which makes personnel decisions related to the CAE including performance evaluation and dismissal. While this structure promotes auditor independence from management, it can be problematic in the public sector for external members of the audit committee to be responsible for dismissing a public employee. The Oregon Department of Transportation addressed this issue by allowing the removal of the internal auditor by the director, but only after a majority vote of the transportation commission.¹⁷

Some agencies in Oregon blur the dual-reporting structure by including the administrative report position on the audit committee, sometimes as the audit committee chair. These practices can pose a direct threat to internal audit independence. While Oregon state rules require a dual-reporting relationship, the rules do not define the elements of “functional” and “administrative” reporting.

The structure and composition of audit committees are important components of effective internal audit functions. Oregon requires agencies with governing boards and commissions to include at least one member on the audit committee.¹⁸ Although state rules say that agencies are “encouraged” to include members external to their organizations, there is no other state guidance on audit committee composition.¹⁹ We found audit committee structure and composition is inconsistent across agencies.

Audit Committee Independence

Recent academic studies have determined that in the private sector, companies with audit committees that have greater independence from the company are:

- less likely to be sanctioned for fraudulent practices;
- more likely to implement audit recommendations; and
- less likely to experience internal control problems.

¹⁷ The Oregon Transportation Commission, made up of five commissioners, establishes state transportation policy by guiding the planning, development, and management of statewide transportation networks.

¹⁸ OAR 125-700-0135(C) – “If the agency has a governing board or commission, the audit committee must include one or more board or commission members.”

¹⁹ OAR 125-700-0135 (C) – “If there is no board or commission, agencies are encouraged to include qualified individuals from outside the agency on the audit committee, to enhance public accountability and transparency, and increase independence of the internal audit function.”

Of the 30 agencies required to have an internal audit function, 14 are further required to have at least one member of their board or commission on the audit committee. However, three of these 14 — the Public Utility Commission, Business Oregon, and the Department of Environmental Quality — currently do not.

Six agencies have audit committees composed entirely of agency management and internal staff, and an additional 13 are more than two-thirds internal members, undermining the dual-reporting structure and threatening internal audit independence. At Business Oregon, the only members external to the agency on the audit committee are representatives from the private audit firm contracted to perform internal audit services, a serious conflict of interest.

Independent internal audit functions:

- have a dual-reporting structure;
- have unrestricted access to all personnel, systems, processes, operations, functions, and activities;
- do not have operational responsibility over non-audit roles;
- establish and maintain an audit committee whose role is stated in a formal, written charter;
- include at least one member of the agency's governing board or commission on the audit committee, where applicable; and
- include a majority of external audit committee members.

A small number of agencies, including the Department of Education, the Parks and Recreation Department, and the Public Employees Retirement System are made up entirely or mostly of external members. In order to enhance audit committee influence within the agency, executive leadership team members of the Public Employees Retirement System are required to attend all audit committee meetings.

Furthermore, many agency audit committee charters lack requirements to ensure independence, including a conflict of interest policy, a formal CAE oversight process, and authority to review the adequacy of internal audit budget and staffing information.²⁰ Additional information about which elements exist in each agency's audit committee charter can be found in Appendix B.

Finally, internal auditors should have no direct operational responsibility over activities they audit. In at least two of the agencies we examined, the sole internal auditor also served as an operational program manager. During the course of our audit, one of these agencies removed those additional responsibilities. CAEs who serve as the sole internal auditor for an agency are not able to objectively audit areas where they have operational responsibilities. Simply stated, auditors cannot audit their own work. Additionally, time spent performing operational duties decreases the time for internal audit activity.

An independent, objective, and well-resourced internal audit function increases the likelihood of discovering workplace issues, such as a culture of harassment and discrimination, and bringing these issues to the attention of agency leadership and the audit committee. An effective internal audit function also encourages strong ethics controls, both preventive and detective, on the part of management. Internal audit functions that lack sufficient independence from management and that have audit committees not aligned with standards and best practices will struggle to be effective.

Given DAS's responsibility for promoting internal audit effectiveness, DAS should assess the independence of internal audit functions and the structure and composition of audit committees. Historically, DAS has not evaluated if existing governance structures meet requirements set in

²⁰ An audit committee charter is a document describing the authority, responsibilities, and structure of the audit committee.

state rule, law, or professional standards, and has only provided partial reporting on the specific internal audit structures agencies use.

Some agencies do not consistently meet state internal audit requirements

We found some agencies are failing to meet state requirements for completing mandated audits and audit-related work. As a result, the state may face higher risks of financial and programmatic weaknesses.

DAS set criteria for the internal audit requirement to correspond with risks associated with agency size, spending, and revenue. State policy requires agencies to perform risk assessments,²¹ which provide the foundation for internal audit activities. Using the risk assessment, internal auditors are expected to create an audit plan and complete at least one risk-based audit every year.²² They are also required to produce a governance audit every five years and undergo periodic external quality assurance peer reviews. These provide independent assurance that internal audit functions generally conform to auditing standards and answer the question, “who audits the auditors.”

Requirements Outlined in Oregon Revised Statute 184.360

1. Must conduct a risk assessment of the entire agency conforming to professional auditing standards.
2. Must conduct an annual risk-based audit, based on risk assessment.
3. Must audit a component of its governance and risk management processes at least once every five years and file the audit with DAS.
4. By December 31, DAS shall prepare a report describing internal audit activities within the past calendar year.

Nearly a third of agencies were not able to provide a risk assessment from the last two fiscal years. Of those agencies, the Departments of State Lands and Environmental Quality indicated they last completed risk assessments in 2012. Oregon Housing and Community Services believes the last risk assessment was completed in 2009, but the agency is currently exempted from internal audit requirements. The Higher Education Coordinating Commission has never performed a risk assessment, and the agency has never had funding approved for an internal audit function. Without a risk assessment, these agencies are less able to avoid potential problems. While auditors play a key role in assessing risk, it is ultimately the responsibility of management to identify and mitigate unacceptable risks.

CAEs are required to prepare an audit plan based on the most recent risk assessment. Four agencies did not provide evidence of an audit plan from either of the last two years. Eight agencies used their annual report to DAS as their audit plan, but this document contains limited information. It is unclear why some audit functions use this as their audit plan, as the annual reporting process has often been noted as difficult and unhelpful. Further, these documents do not indicate whether they are approved by agency audit committees, as required.

We asked each agency to provide an example of the most recently completed risk-based audit, as required annually. Of the internal audit functions that provided at least one audit from 2017 or 2018, some did not identify the topic as high risk in their risk assessment, and two agencies did not identify the topic in the risk assessment at all. These agencies may not be addressing their most significant risks with the limited internal audit resources available. In addition to the agencies under exemption or without an audit function, the Department of Energy was not able to provide an example of a risk-based audit.

²¹ A risk assessment is a process of identifying, analyzing, and prioritizing risks to the achievement of an agency’s mission, goals, or objectives.

²² IIA Red Book standard 2010: “The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.”

Additionally, some agencies have delayed or not completed external quality assurance reviews required by auditing standards. There have been vacancies in CAE positions and turnover in single-person audit shops, which has an effect on the institutional knowledge of an audit function and complicates these reviews. Contracting for organizations to perform these reviews can be costly, which can place a burden on resource-strapped agencies. DAS has not provided sufficient guidance to agencies in this area. For example, some agencies that primarily use contractors to perform internal audit work reported incorrectly they are exempt from external peer review requirements. Figure 3 summarizes recent internal audit function compliance challenges, and a case study on the Department of Environmental Quality illustrates what can happen when an agency is not able to timely identify and mitigate risks.

Figure 3: Some agencies are not meeting requirements and best practices for risk assessments, audit plans, audit reports, and external reviews

Perform a risk assessment	Nine of 30 agencies (30%) did not provide evidence of a risk assessment for FY 2017 or FY 2018.
Develop an audit plan	Four of 30 agencies (13%) did not provide evidence of an audit plan for FY 2017 or 2018, and an additional eight (27%) agencies only provided limited audit plan information in a report to DAS.
Perform a risk-based audit every year	Seven of 30 agencies (23%) did not provide a risk-based audit from FY 2017 or 2018. Of these, five did not provide any risk-based audit.
High risk audit topics should be prioritized	Eleven of 30 agencies' (37%) risk-based audits were performed on topics not identified high-risk in their risk assessments.
Perform a governance audit every five years	Nine of 30 agencies (30%) were unable to provide governance audits performed in the last five years.
Obtain external review as required by standards	Sixteen of 30 agencies (53%) appear to be out of compliance with the requirement for an external quality assurance review, as specified in standards and state rules.

DAS should provide clear guidance to agencies to ensure compliance with state requirements, including conformance to professional auditing standards. DAS should also support agencies in overcoming the resource challenges in obtaining external reviews. Recently, several state internal auditors obtained the necessary training and successfully completed a review of another state agency. Expanding this work would be a benefit to all agencies with audit functions and the state as a whole. North Carolina's internal audit coordinating body, for example, offers this training at a low cost to any government auditor in the state.



Case Study: Department of Environmental Quality

In July 2018, the Willamette Week published a series of articles detailing the events leading to a massive fire in a north Portland auto scrapyard. The fire required 30 fire engines and 170 firefighters to put out. Willamette Week reported citizens, including children in Cully neighborhood schools, were exposed to toxic smoke.

The Department of Environmental Quality had received a complaint about the scrapyard in December of the previous year. A staff member from the Oregon Occupational Safety and Health Administration sent information to the department about the site exhibiting many concerning environmental conditions, but the department did not follow up on the complaint or the OSHA information until after the fire.

A department spokesperson pointed to gaps in the agency's complaint system as the cause of the lack of timely follow-up. Testing such system controls and bringing gaps to the attention of management would be common activities of an internal auditor. The Department of Environmental Quality currently uses 0.25 FTE for a non-audit staff member to act as the agency's internal auditor. While greater internal audit resources would not guarantee prevention of this situation, a full-time audit function would at least be more likely to detect the system gaps that the agency identified were a root cause of its late response.

The agency does not have an active audit committee, and regularly does not meet state requirements related to internal auditing, including the development of risk assessments consistent with professional standards.

Agencies may not be receiving sufficient value from contracted audit services

Some agencies use contracted audit services to supplement the internal audit work completed by agency staff, while other agencies fully outsource all audit work. Agencies that use audit contractors are required by state rule to contract for a level of services that is equivalent to an internally established function, but DAS has not evaluated whether agencies meet this requirement.²³ Examples of questionable use and impacts of contracted audit services include the following:

- In the 2015-17 budget, the internal auditor position within the Department of Justice was eliminated, as it had been held vacant for several years. The \$250,000 budgeted for the position was replaced with \$200,000 for contracted audit services. Best practices indicate maintaining an internal audit function is preferable to contracting audit services if expenditures are similar.
- Some agencies that contracted audit services did not meet state requirements for risk-based audits in recent years, including the Public Utilities Commission, Business Oregon, the Oregon Liquor Control Commission, and the Department of Justice.

DAS maintains price agreements with several audit firms. According to the agency, these price agreements benefit agencies through discounts, volume purchases, and reduced procurement burden. These contractors are required to provide an annual report that can show how much agencies are using contracted services. Although we are aware of agencies that have used the services of these firms, DAS has never received this report from any of the internal audit vendors. Without this information, DAS cannot report on the cost of contracting or the value agencies receive from contracted audit services. Additionally, the lack of information prevents DAS from performing a cost-benefit analysis of using third party contractors versus hiring permanent internal audit staff.

²³ OAR 125-700-0125.

According to professional auditing standards, while organizations can contract for internal audit work, management of the internal audit function cannot be outsourced. An agency must adequately manage contracted audit services in order to follow professional audit standards. Agencies that do not are at risk of failing external reviews. This threatens the credibility of the internal audit function, both within the agency and statewide. The state of Mississippi allows an agency to contract internal audit work to private firms, but first requires that the agency complete a cost analysis that shows projected savings.

Agencies with improperly structured and resourced internal audit functions face a greater risk of fraud and wasted taxpayer dollars

While there is no guarantee internal auditors will identify fraud or waste, having an effective internal audit function can go a long way to reduce the risk of such activities occurring. Multiple state agencies have experienced fraud or wasted taxpayer dollars during periods when the internal audit function had notable deficiencies, including the Oregon Department of Energy, the Department of State Lands, the Oregon Youth Authority, and the Oregon Health Authority.

Increased risk of fraud, waste, and abuse

“Not having these protections [internal audit] leaves the state vulnerable to inefficient and ineffective management practices that result in wasted public funds. The lack of the internal audit function can also lead to fraud and abuse of state funds.”

- *Assessment of North Carolina Internal audit functions*

The Oregon Department of Energy has long struggled to maintain audit staff and meet state requirements for internal audit work. Until recently, the department tasked a manager in a non-audit position with additional responsibilities related to internal auditing.²⁴ The agency has not performed a risk assessment or convened a meeting of its audit committee since 2015, and consistently has not met state requirements for audits completed. Yet the agency has faced challenges, such as fraud and waste related to the Business Energy Tax Credits program that could have possibly been mitigated with dedicated audit resources.

At the Oregon Health Authority, significant payment issues were uncovered in a period when the internal audit function was found to be insufficiently independent and only partially conforming to professional standards by an external quality assurance review. These payment issues spanned several years. Separately, the Oregon Audits Division found significant deficiencies in how the agency detected and prevented improper Medicaid payments. These issues led to tens of millions of dollars in questionable spending. Because the Oregon Health Authority shares an internal audit function with the Department of Human Services, both agencies would be affected by the deficiencies identified in the quality assurance review.

The Department of State Lands has not established an internal audit function, despite meeting the criteria set in state law. In 2016, following an inventory of securities and bonds held by the agency, the department found it could not determine if the inventory was complete and correct or whether any fraud occurred, because the agency did not track its inventory over time or changes made to the system. This absence of internal controls would be of concern to an internal auditor who would potentially perform an audit with recommendations for improvement.

In 2009, a superintendent of a youth correctional facility managed by the Oregon Youth Authority was found guilty of theft, misconduct, tampering with records, and tampering with a witness. Department staff testified to the Oregon Legislature the root of the problem came from the agency’s leadership, who shielded managers from criticism and covered up wrongdoing, problems that could have been improved with a more involved and independent internal audit

²⁴ The Oregon Department of Energy hired a full-time internal auditor in June 2018.

function. Today, the audit function at the Oregon Youth Authority is a well-functioning unit that brings value to the organization and leadership in the statewide audit community.

DAS has not been fulfilling state internal auditor oversight and coordination responsibilities for many years

Despite being charged by the Legislature with coordinating internal audit activities, DAS has not fulfilled this responsibility. Agency efforts have diminished over time, missing or unclear guidance has contributed to inconsistency and confusion in application of state laws and policies, and opportunities to support internal audit functions have been missed.

DAS coordination approach is missing key elements and has diminished over time

DAS does not have a strategy for coordinating internal auditing and does not measure the effectiveness of coordination activities. Historically, DAS has not collected information on stakeholders' perceptions of their coordination or support activities, such as CAEs, agency directors or state legislators. Without this information, DAS cannot assess the impact of their coordination efforts. In a survey we conducted of state agency internal audit staff in Oregon, less than half believed that DAS understands and values internal auditing, and less than one-third agreed that DAS promotes internal auditing at state agencies.

Prior to 2013, DAS had dedicated staff to coordinate internal auditing. The coordinator worked with agency internal auditors to create resources related to risk assessments and audit committees and consulted on changes to state law regarding internal auditing. However, this position was eliminated in 2013, which left DAS with only a single internal audit position to complete both audit work within DAS and statewide internal audit coordination as required by state law.

Furthermore, DAS has experienced vacancies in its single internal audit position, resulting in loss of institutional knowledge and coordination activities within DAS ceasing altogether. Most recently, the position was vacant for a year until it was filled at the beginning of this audit.

The current extent of DAS coordination activities includes maintaining price agreements for internal audit contractors, holding licenses for audit management software, producing the annual report on statewide internal audit activities, and providing ad hoc guidance and support. Reductions and vacancies in the DAS internal audit function have limited the effectiveness of even these basic efforts, and the agency has called on internal auditors at other agencies to donate time to complete these tasks.

DAS has not provided clear guidance on application of internal audit laws and rules

State law²⁵ tasks DAS with coordinating agency internal audit functions to promote effectiveness, and instructs DAS to adopt rules setting standards and policies for audit functions within state government.²⁶ The rules must include the adoption of professional auditing standards, and policies and procedures that ensure the integrity of the internal audit process. However, DAS has depended on agencies to comply voluntarily with these rules, as it is unclear whether DAS has the authority or available mechanisms to enforce them.

In addition, specific statutory and rule requirements have been unclear to internal auditors. These include the general applicability of laws and rules, criteria for exemptions to the internal

²⁵ ORS 184.360 Internal audits in state government, policy, reports, rules.

²⁶ ORS 174.111 "State Government" means the executive department, judicial department and the legislative department.

audit requirement, and the minimum level of internal audit resources that meet the requirement.

Some state agencies, such as the Oregon Judicial Department and Oregon State Lottery, have claimed they are not subject to state policy relating to internal auditing but are complying voluntarily, and DAS has not provided clear guidance to correct this assertion.

Statute directs DAS to adopt rules that include, but are not limited to, standards for internal audit operations, and annual reporting requirements in all branches of Oregon state government. The statute goes on to list specific requirements for audit work performed, which apply specifically to executive agencies.

In the rules set by DAS, the audit work requirements are extended to “any elected or appointed officer, board, commission, department, institution, branch, or other unit of the state government” that meets the criteria for the internal audit requirement. As DAS has the statutory ability to set internal audit rules for all of state government and is not limited in the scope of those rules, it is clear that agencies such as the Oregon State Lottery and the Judicial Department are subject to those requirements. DAS recently reported they were reviewing their past interpretation of the state policy.

Another example involves the Public Utility Commission, which requested and was granted an exemption to the internal audit requirement in 2006. To support its request, the commission referenced a state accounting policy rather than a newly passed state law or recently established state rule, both of which indicated the commission was subject to the audit requirement. Twelve years later, DAS and the commission disagree as to whether the commission is currently exempt from the requirement. While the commission has some elements of an internal audit function in place, we found they had deficiencies such as not having a member of its governing commission on its audit committee and no current external review. PUC relies on audit work from MBA interns to meet state requirements, but has not reviewed the work to ensure these audits conform to professional auditing standards.

Oregon Housing and Community Services also received an exemption in 2012, which was recently extended until 2019. As part of the justification for the exemption request, the department cited agency reorganization and shifting areas of strategy. This is an example of a situation when an internal audit function would have provided valuable assurance and advice to agency management. Without an internal audit function, however, the agency missed several red flags related to performance. In 2016, our audit at the agency found insufficient strategic planning, poor data management, inconsistent staffing levels, inadequate policies and procedures, and poor communication from management.²⁷

Some agencies that appear to meet the criteria for the internal audit requirement have never established functions, applied for an exemption, or been included in the DAS annual report. The newly-hired DAS CAE performed an analysis and identified several agencies without an internal auditor that exceeded the state criteria related to annual expenditures and annual cash processed. DAS was unaware of the last time a similar analysis was performed, and has not notified all of these agencies that they are not in compliance with state law.

We performed a similar analysis using a different interpretation of what funds should be counted as cash processed. Like DAS, we also found several agencies should have an internal audit function that were not previously identified in any past DAS reports. These agencies include the Watershed Enhancement Board, the Public Defense Services Commission, Oregon Correctional Enterprise, and the Secretary of State’s Office. None of these agencies has an

²⁷ Oregon Audits Division Report No. 2016-31.

established internal audit function. The Public Defense Services Commission appears to have met the requirement since at least 2003, before the initial passage of the internal audit statute.

The criteria for determining which agencies are required to establish and maintain an internal audit function has not been revised since its implementation in 2006. For example, dollar amounts have not been adjusted for inflation. Over time, more agencies will meet the criteria, meaning DAS's coordination role responsibilities will be increasing in the years ahead.

DAS has not provided clear guidance on how agencies should staff internal audit functions

Poor guidance from DAS has contributed to insufficient internal audit staffing. In 2014, DAS made changes to statewide internal audit policy. One change was to remove the expectation that internal audit functions at agencies be staffed at a minimum of one full-time auditor. This change made it easier for agencies to staff internal audit functions with less than one full-time auditor, or contract for minimal audit services. As noted previously, total internal audit staffing in state agencies is at the lowest level ever recorded.

Some of the largest and highest-spending agencies in the state have small audit functions, yet DAS has never provided guidance on how to determine appropriate internal audit staffing. The now-dissolved Statewide Audit Advisory Committee made this a priority in 2007, but the committee was unable to find an existing model.²⁸

As a result, some agencies have reported meeting the requirement despite applying very few resources to internal auditing. For example, one agency reported meeting the requirement with 0.25 FTE of non-audit staff and another through a project from a Willamette University MBA student. DAS reports did not note that agencies without staff or contract arrangements, or with vacant positions, failed to meet the requirement.

The poor guidance from DAS, in addition to reductions and vacancies in the DAS internal audit staffing over time, has diminished the credibility of DAS in the statewide internal audit community. While DAS is taking positive steps, it will take more time and effort to improve its standing. This additional effort should include providing clearer guidance about the meaning and correct implementation of standards and policies.

Other states have encountered similar issues and developed guidance to ensure internal audit functions are sufficiently staffed. In New York, an internal audit task force convened by statewide executive leaders proposed that internal auditing, by its nature, requires a vibrant exchange of ideas among a team investigating a problem. The task force concluded audit functions staffed by only one auditor are “less than ideal.”



North Carolina has what appears to be the most robust methodology developed specifically for staffing state agency internal audit functions. We replicated this methodology and applied it to Oregon agencies. Under this model, internal audit functions in Oregon are understaffed by 70 to 137 auditors. Few agencies meet the methodology's recommended internal audit staffing level. See Appendix C for results.

Professional auditing standards require that CAEs ensure that internal audit resources are appropriate to achieve the audit plan. CAEs in Oregon must also ensure mandated audit work is completed, and their functions perform administrative tasks necessary for conformance to professional standards. A single auditor or an understaffed function may struggle to complete a risk assessment, annual audit plan, annual risk based audit, annual report to DAS, and an

²⁸ The Statewide Audit Advisory Committee was dissolved in 2013 following the removal of the DAS statewide internal audit coordination position. The Committee served in an advisory capacity to “promote excellence and professional, standards-based internal auditing services in state government.”

governance audit every five years while also performing consulting projects, staffing the audit committee, ensuring necessary reviews, updating internal audit and audit committee charters, and completing other tasks noted in this report.

DAS does not provide or facilitate training and resources for internal auditors

DAS does not currently provide or facilitate training and resources for internal auditors. Professional organizations, other states, and past DAS efforts offer examples that could bring value to internal audit functions and promote effective internal auditing in the state.

The IIA provides templates for audit documents mandated in auditing standards, such as the internal audit charter and audit committee charter. Minnesota developed a number of tools and resources to help internal audit functions maintain their integrity, remain compliant with standards, and be effective. These include control environment self-assessment tools, risk assessment tools, and templates.



Leveraging opportunities for group training among small internal audit functions can reduce overall expenditures on such training while allowing internal audit staff the chance to obtain important CPE.²⁹ In North Carolina, for example, the coordinating entity overseeing internal auditing in the state offers training for internal audit staff.



In addition to audit staff, audit committee members also benefit from training, as it allows them to become familiar with their responsibilities.

Before the reduction of internal audit staff in 2013, DAS provided training that included information on the role and impact of audit committees, state laws and rules related to auditing, professional audit standards, benefits and drawbacks of contracting audit services, and best practices for overseeing the internal audit function. Audit staff at the Oregon Parks and Recreation Department also developed position descriptions for audit committee members, which include helpful descriptions of audit committee purpose, committee member attributes, audit committee meetings, and expectations.

DAS has not adequately reported on the condition and impacts of state internal audit functions

As previously noted, it has been unclear if DAS has the authority or available resources and expertise to enforce state rules related to internal auditing in state agencies. The DAS annual report to the Legislature on statewide internal audit activities is their strongest oversight and enforcement mechanism. Legislators and internal auditors both pointed to the annual report as an opportunity for DAS to show the impact internal auditing has on state agencies and describe the challenges internal auditors face, but recent reports have been unclear, inaccurate, and have not effectively communicated the condition, needs, and impacts of state internal audit functions.

While the current format of the report provides information on most of the requirements of agency internal audit functions, it includes little to no analysis or judgement on the effectiveness and challenges of various audit functions. Legislative stakeholders indicated they wanted to know more about the results and impact of internal audit work, internal audit reporting structures, and rationale agencies use for contract audit work. CAEs believe the process for compiling the annual report is difficult and the final product did not effectively show the impact they generate, describe the challenges they face, or advocate for needed resources or changes in policy.

²⁹ Continuing Professional Education.

By statute, DAS is required to report to the Legislature at the end of every calendar year for internal audit activities that occurred during that year. By state rule, agencies are required to report information to DAS by fiscal year, which runs from July to June. This conflict creates a challenge for DAS, as they would receive information from agencies that does not align with their required reporting period. In order to overcome this challenge, DAS has reported on internal activities in the state by fiscal year in violation of state statute.

The DAS report on internal audit activities is not accurate. To create the report, DAS staff rely on self-reported information submitted by agencies, which they do not always validate. Our review of information agencies provided to DAS for the most recent fiscal year showed inaccuracies, including information about audit committee membership, the percentage of audits completed, and the percentage of audits originating from agency risk assessments. Additionally, the 2017 DAS report to the Legislature included inaccurate information on years of the most recent agency risk assessments, risk-based audits, and governance and risk process management audits.

Further, important information is missing or obscured in the report. For instance, in the 2017 report, three agencies noted they did not have internal audit staff but were “fulfilling audit requirements by other means.” Typically, this means the agency is contracting for audit services, but we found at least one of the three agencies that listed this response did not, in fact, contract for audit services or apply any resources to internal auditing.

The annual report includes misleading information on audit work performed by agencies. Multiple annual reports attributed non-audit and external audit work as internal auditing completed by the agencies. These included risk assessments, consulting engagements, external reviews, program evaluations, studies, and external audits. In 2017, the DAS report indicated Business Oregon complied with the requirement to perform a risk-based audit for the year due to an external audit conducted by the Oregon Audits Division.

DAS annual reports do not always effectively highlight consulting activities performed by internal audit functions, which many CAEs identified as some of their most impactful work in the agency. At times, DAS reports have highlighted consulting activities clearly by reporting them in a dedicated section of the report. Often, however, these activities are reported together with a range of “Value-Added Activities” that have included less important tasks such as committee participation, conference presentations, and non-audit roles filled by the internal auditor. Reporting in this way not only obscures the value internal auditors offer through consulting, but could cause further confusion about the role auditors fill in agencies and how these resources are being utilized.

Finally, the professional certifications held by internal audit staff are reported in aggregate, which obscures individual auditor qualifications. This does not indicate to stakeholders which internal audit functions lack necessary skills and competencies. For example, the 2017 report indicated only 12% of internal auditors in the state held certifications in auditing information systems, but included no information about which agencies need resources for training, additional staff, or contracting to fill this gap.

IIA Code of Ethics: Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

- Annual CPE required for active Certified Internal Auditors: 40 hours.
- Annual CPE required for active Certified Governmental Auditing Professionals: 20 hours.

GAO Yellow Book: Competency

The staff assigned to perform the audit must collectively possess adequate professional competency needed to address the objectives and perform the work in accordance with standards.

- CPE required: 80 hours every two years, with at least 20 of those hours in every year.

Coordinating agencies in other states also produce annual reports on statewide internal audit activities. These reports provide potential models for DAS to consider.



Minnesota includes performance metrics for internal audit functions, strategies used to promote internal auditing in the state, and results of agency internal control self-assessments.



North Carolina includes statewide internal audit staffing compared to recommended levels, internal audit budgets and historical budget comparisons, updates on training and professional development of internal auditors, results of all internal audit peer reviews, supplemental staffing methods used, and data analysis activities.



Texas includes information related to internal audit progress on completing annual audit plans, consulting services provided, audit services contracted, and instances of suspected fraud, waste, and abuse.

DAS and agencies struggle to measure the impact of internal auditing

Measuring the effectiveness and impact of internal auditing is challenging. Much of the effect of quality internal auditing comes from prevention of risks and potential future problems, which is not easily measured. Nevertheless, audit functions should consider metrics in context and across typical performance measurement areas: quality, efficiency, process, input, outputs, and outcomes.

Professional auditing organizations recommend internal audit functions consider measuring the following:

- percent of staff with professional certification or advanced degrees;
- percent of staff meeting continuing education requirements;
- results of the most recent external peer review;
- estimated financial impact of audit recommendations;
- percent of audit recommendations agreed to and implemented by management;
- number of audits issued;
- number of consulting engagements performed;
- satisfaction of senior management and the audit committee; and
- operational program and service delivery effectiveness and quality measures.

Several audit functions use at least some performance metrics and provide internal reports to management and audit committees that include information demonstrating their impact and the challenges they face. For example, the audit function at the Department of Revenue uses performance measures such as the number of engagements, time spent on consulting engagements, customer feedback surveys, and recommendations accepted and implemented. The Department of Consumer and Business Services uses performance metrics that include the percentage of risk elements identified in the risk assessment that have documented mitigating controls in place.

The internal audit function in the Oregon Judicial Department prepares an annual report for its audit committee that clearly articulates work completed in the past year, as well as performance. The report includes the number of audits released, details on consulting engagements, status of prior audit recommendations, progress towards the completion of the audit plan, customer and committee satisfaction, and external review results.

Examples of metrics that we heard from other states that could demonstrate internal audit impact include:

- Internal audit budget as a percentage of agency budget;
- Percent of audits identified as high risk;
- Number and percent of recommendations implemented;
- Number and percent of recommendations implemented within a year; and
- Percent of audits completed on time, and at or under budget.

While DAS is not directly responsible for improving internal audit functions in other state agencies, they are ideally positioned to facilitate some improvements given their role as a coordinating body. In order to do so, DAS should ensure it has adequate staff for both their responsibilities as a coordinator and their internal audit needs; develops clear and consistent guidance and support; and improves the annual report to the Legislature.

Key stakeholders believe DAS can provide enhanced coordination activities

Agency directors, audit committee chairs, and internal auditors in the state all see a role for DAS and opportunities for improvement. Some offered ideas on how DAS could renew and build upon its past coordination and support efforts. Some ideas include:

- Improving the annual report on internal audit activities;
- Developing recommended performance metrics for internal audit functions;
- Setting expectations for audit committee composition;
- Providing training to audit committee members;
- Developing templates for standard audit processes;
- Coordinating and providing training for internal audit staff;
- Coordinating workpaper³⁰ review for single-person audit functions;
- Creating a pool of auditors that can be shared among smaller agencies who lack resources to staff their internal audit function;
- Expanding software licenses to include data analytics tools; and
- Revising audit-related state rules.

If DAS is able to provide more valuable support, guidance, and reporting, it could help statewide internal audit functions be more effective in addressing challenges rooted in state policies, agency structures, resources, and compliance with requirements. Improvements in these areas will promote the ability for internal auditors to positively impact state government for the benefit of all Oregonians.

Despite challenges, CAEs add value to their organizations and the state

Despite the challenges faced by internal audit functions in the state, internal auditors are generally well qualified for their positions, they have developed a supportive peer community, and their work is having a positive impact in the state.

Internal audit staff in the state are generally well qualified to perform their roles.

All CAEs in the state have at least five years of internal audit experience, and most have more than 10. A significant majority hold professional certifications and advanced degrees, including audit-specific credentials such as the Certified Internal Auditor, Certified Public Accountant, Certified Government Auditing Professional,

Auditor Experience

An academic study from 2005 determined that companies with greater internal auditor experience correlated with greater stock ratings and higher overall earnings.

³⁰ Audit workpapers are the documents which record all audit evidence.

Certified Fraud Examiner, and Certified Information Systems Auditor.

The Chief Audit Executive Council provides valuable support to auditors

The Chief Audit Executive Council, made up of the CAEs from all state agency internal audit functions, supports DAS in their task of coordinating internal audit activities. The council meets quarterly to collaborate, share information, promote effective internal auditing, and advise DAS on internal audit matters.

The council has become increasingly important in providing support for internal audit functions in the state and contributing to statewide coordination of internal auditing. It has taken on several state coordination roles including coordinating audit function external reviews, developing templates and resources, and coordinating training opportunities.

In 2018, council leadership and the DAS Director signed an updated charter identifying the activities and ongoing operation of the council as an important component of DAS internal audit coordination activities. The new charter formalizes the relationship, affirming the collaboration between the council and DAS.



An internal audit task force in the state of New York identified this type of peer community, designed to provide support and advocacy for the internal audit function, as a leading practice. Internal auditors reported they benefit greatly from the support, problem-solving, and networking opportunities it provides. While the council offers benefits to internal auditors, it lacks formal authority within state government and would rely on DAS and other stakeholders for substantive issues such as changes in statewide policy.

Internal audit has a positive impact in the state

Internal auditors across the state reported performing financial, performance, and information technology audits, and investigations of potential fraud. These work areas demonstrate the diversity of skills within the statewide internal audit community, and the wide variety of ways internal auditors generate positive impact within their agencies.

In a survey of state internal audit staff, several key words pertaining to the positive outcomes of their work came up repeatedly, as shown in Figure 4.

Figure 4: The work of internal auditors is focused on managing risks and improving processes



Internal auditors feel that they add value to their organizations by providing leadership and independent analysis, improving accountability and transparency, facilitating decision-making, dealing with high-risk areas, and proactively identifying risks.

Some examples of this impact reported by internal auditors are included below.

- The Public Employees Retirement System found a benefit calculation error rate of 13%. After a series of audits, the error rate was reduced to near 0%, where it has remained.
- Another Public Employees Retirement System audit showed that health insurance programs for retirees were performing poorly. After implementing recommendations and shifting leadership, they are now functioning well.
- The Oregon Judicial Department audit function provided helpful consulting on the implementation of the eCourt system.
- An Oregon State Police audit of statewide evidence-handling practices identified opportunities for reducing cost and improving performance.
- Another Oregon State Police internal audit provided greater clarity for officers in how they should respond to potentially threatening situations.
- The Oregon Employment Department comprehensively tracked audit recommendations from both internal and external auditors and agency progress in implementation over time, and reported this information to the audit committee.
- The Oregon Youth Authority internal auditor job-shadows front-line employees in youth correctional facilities to clearly understand work processes and gather perspectives not normally heard or understood by senior leadership. The auditor has the goal of completing a job shadow with every type of front-line employee.
- The internal audit function of the Department of Corrections found the department could save thousands of dollars per month through more timely disconnection of agency-issued cellular phone accounts following employee separation.
- The internal auditor at the Oregon Parks and Recreation Department found over 50 different forms being used to complete the same processes in field offices around the state. The auditor consulted with management to simplify processes and reduce staff administrative time by reducing that number down to only three forms, which are now in use statewide.

Other Pertinent Information

In the course of conducting this audit, we identified additional information that, while not strictly within the scope of the audit, is still significant and merits attention.

There is no generally accepted governance structure for statewide oversight and coordination of internal audit functions

There is no universal approach or generally accepted best practice for internal audit governance and oversight in state government, including the degree to which internal audit functions should be centralized or coordinated. States take several different approaches to attempt to balance the sometimes competing values of transparency, accountability, and confidentiality.

Some states, like Utah, are de-centralized without a coordinating body — meaning state agencies with internal audit functions operate independently. Others, like Michigan, have centralized internal audit functions in a single state agency, which provides internal audit services to all other state agencies. In Oregon, Minnesota, and North Carolina, one agency coordinates and supports audit functions within other agencies. For example, the North Carolina Office of Budget and Management has a coordination role similar to DAS. In that role, they coordinate external reviews, recommend staffing levels, produce annual reports, recognize auditors through achievement awards, and maintain a pool of shared internal auditors for smaller state agencies.

Public internal auditors face challenges in applying professional standards

As states struggle with developing an overall model of internal auditing, CAEs also face challenges in applying professional auditing standards on an agency level. The IIA Red Book standards are primarily intended for internal auditors in the private sector, and GAO Yellow Book standards are generally followed by external auditors in the public sector. While most internal audit functions in Oregon state agencies strive to follow the IIA Red Book standards, applying them in a public setting is often challenging given the differences between operations in the public and private sectors.³¹

This report previously mentioned multiple areas where application of professional standards creates challenges for internal auditors, including the responsibility for audit committees to make personnel decisions as part of a dual-reporting structure. The lack of confidentiality of internal audit work in the public sector is another area where auditors could potentially be placed in the position of needing to balance competing interests of agency management, oversight bodies, and the public.

Public reporting requirements complicate the role of internal auditors

In the private sector, audit findings are considered proprietary and kept confidential. If an internal auditor discovers a problem with the operations of the organization, that problem can be addressed internally, and the company can avoid reputational damage or disclosing sensitive information to competitors. This benefits the internal audit function by promoting trust with senior management and the company board.

If the internal audit function within a company also reported audit results to outside organizations, such as governmental regulatory agencies, executive management may decide

³¹ OAR 125-700 requires state agency internal audit functions to select appropriate professional auditing standards to follow in performing their audit work.

that the risk to the company of disclosure outweighs the benefits they receive from their internal audit function, and the function may experience limitations on access and influence as a result.

This is one way to characterize the current system in Oregon. Internal auditors are required to report activities and results externally to DAS and the state Legislature. Audit information is also available to the public by request. If no work from the auditor can be held in confidence, auditors may not be able to serve as trusted advisors to agency leadership.

If an auditor is not able to establish this position of influence, the internal audit function provides less value to the agency and may be more likely to be marginalized, under-resourced, contracted, or never established at all.

The GAO Yellow Book recognizes this challenge with external reporting requirements, and describes such audit functions as hybrids of internal and external auditing.

Yet, government leaders have a responsibility to promote transparency and be accountable to the public, both directly and through the oversight of public officials. It may not be reasonable to apply the same level of confidentiality private sector auditors have to the public sector.

Other states offer models that may better balance the competing values of confidentiality, transparency, and accountability. Multiple states allow for some level of internal audit work to be confidential. Texas, Illinois, New York, Tennessee, and North Carolina allow for confidential audit workpapers. This allows internal auditors to protect the identity of whistleblowers and encourages agency staff to be forthcoming with potentially sensitive or threatening information.

Given the lack of consensus on the appropriate governance structure for statewide internal auditing, the correct way to balance the two sets of professional standards in the public sector, and the appropriate degree of confidentiality for audit work products, this audit focused on the laws and rules currently in place in Oregon. Yet DAS could work with the state leaders, the internal audit community, and professional audit organizations to consider these difficult topics and chart a path forward in Oregon.

Public internal auditors face unique challenges

“The professionals who audit federal, state, and local governments and other public entities must cope daily with career-threatening political risks from which the private-sector internal auditors are largely immune.”

- *Institute of Internal Auditors*

Recommendations

We recommend DAS take the following actions to more effectively coordinate and promote the internal audit function at state agencies. Some of the recommendations will require additional resources be made available for internal audit. Others can be achieved by redirecting current efforts.

1. Define the minimum amount of resources that constitutes an active internal audit function, whether staffed or contracted, and develop a methodology to determine the recommended staffing for internal auditing.
2. Determine whether the minimum qualifications for internal audit classifications should be amended to expand the pool of applicants.
3. Dedicate sufficient human resources for both statewide internal audit coordination and internal auditing within DAS.
4. Evaluate whether the classification of the statewide internal audit coordination position is appropriate, relative to Chief Audit Executives throughout the state.
5. Propose changes to administrative rules to address concerns identified in this report, including those related to misalignment of reporting periods, audit committee composition, and functional and administrative reporting.
6. Provide guidance to agency internal audit functions on minimum requirements for risk assessment processes, risk-based audits, and external reviews.
7. Develop a strategic plan to coordinate agency internal audit efforts, promote effectiveness, and ensure integrity of internal auditing in the state.
8. Work with the Legislature to strengthen and clarify state laws related to internal auditing and DAS's role as a centralized coordinating body.
9. Develop guidance or criteria to determine when an exemption to the internal audit requirement is appropriate.
10. Inform agencies that meet the current criteria that they are required to have an internal audit function.
11. Develop a formal process to track which agencies meet statutory requirements for establishing an internal audit function.
12. Adjust the current criteria in state rules for the internal audit requirement to clearly identify state agencies that face the highest levels of risk. This should include a review of the types of transactions considered as "cash processed," the levels of expenditure and staffing set more than a decade ago, and a consideration of other risk factors.
13. Make training materials available to new and existing internal audit staff at state agencies, including trainings that would enable staff members to participate in external peer reviews at other agencies.

14. Provide training materials to new and existing audit committee members, including training on how to maintain the independence of the audit function and what work products to expect.
15. Revise the annual report on statewide internal audit activities to ensure it is clear, accurate, and helpful for internal audit stakeholders; includes meaningful information on internal audit performance; describes conformance with professional standards and state requirements; and details the costs and outcomes of internal audit contracting.
16. Convene an internal audit working group including stakeholders such as state CAEs and professional auditing organizations to determine the appropriate level of centralization for internal audit functions in Oregon.

Appendix A: Oregon Agencies Reviewed in this Report

Agency Name	Agency Acronym
Business Development Department (Business Oregon)	BIZ
Department of Administrative Services	DAS
Department of Consumer and Business Services	DCBS
Department of Environmental Quality	DEQ
Department of Human Services	DHS
Department of Corrections	DOC
Department of Justice	DOJ
Department of Revenue	DOR
Department of State Lands	DSL
Higher Education Coordinating Commission	HECC
Oregon Department of Agriculture	ODA
Oregon Department of Education	ODE
Oregon Department of Forestry	ODF
Oregon Department of Fish and Wildlife	ODFW
Oregon Department of Energy	ODOE
Oregon Department of Transportation	ODOT
Oregon Department of Veterans' Affairs	ODVA
Oregon Employment Department	OED
Oregon Health Authority	OHA
Oregon Housing and Community Services	OHCS
Oregon Judicial Department	OJD
Oregon Liquor Control Commission	OLCC
Oregon Military Department	OMD
Oregon Parks and Recreation Department	OPRD
Oregon State Lottery	OSL
Oregon State Police	OSP
Oregon State Treasury	OST
Oregon Youth Authority	OYA
Public Employees Retirement System	PERS
Public Utility Commission	PUC

Appendix B: Agency Audit Document Elements

Figure 5 depicts which agencies provided an audit committee charter required by state law and which elements recommended by IIA Red Book standards to safeguard independence each charter includes. While audit committee charters are not required to include all elements, IIA does consider them to be best practices. The Oregon Department of Transportation follows GAO Yellow Book standards rather than IIA Red Book Standards. However, GAO Yellow Book standards do not address audit committees, so their charter is evaluated against best practices recommended by the IIA.

Figure 6 depicts which agencies provided an internal audit function charter required by state law and which elements recommended by IIA Red Book standards to safeguard independence each charter includes. While internal audit function charters are not required to include all elements, IIA does consider them to be best practices.

Figure 7 depicts which agencies provided an audit plan for either 2017 or 2018, and Figure 8 depicts which agencies provided evidence of a risk assessment required by state law for 2016 through 2018. The elements evaluated in both tables are included in IIA Red Book mandatory guidance, and agencies that follow IIA Red Book standards are expected to comply. The Oregon Department of Transportation may not be required by professional standards to include all of these elements.

During the final review process for the audit, several CAEs indicated their agency has an audit plan or risk assessment report more extensive than their summary document indicates. However, our office was not provided with this report when we requested it during fieldwork and, owing to the late date of this notification, we were unable to confirm this assertion.

Blue boxes indicate an agency's document included that element; blank spaces indicate it did not. Several agencies did not provide specific documents, so the audit team was unable to assess further.

Figure 5: Audit committee charter elements

	Provided an audit committee charter	Charter includes statement on committee authority	Charter describes committee membership	Charter includes conflict of interest policy	Charter describes the committee's role in ensuring audit follow-up	Charter includes statement on appointment, removal, and performance review of CAE	Charter includes statement on committee's role in ensuring compliance with professional auditing standards	Charter includes statement on responsibility of the committee to review internal audit budget and staffing
BIZ								
DAS								
DCBS								
DEQ								
DHS								
DOC								
DOJ								
DOR								
DSL	Did not provide	-	-	-	-	-	-	-
HECC	Did not provide	-	-	-	-	-	-	-
ODA								
ODE								
ODF								
ODFW								
ODOE								
ODOT								-
ODVA								
OED								
OHA								
OHCS	Did not provide	-	-	-	-	-	-	-
OJD								
OLCC								
OMD								
OPRD								
OSL								
OSP								
OST								
OYA								
PERS								
PUC								

Figure 6: Internal audit function charter elements

	Agency provided an internal audit function charter	Charter grants CAE authority to manage audit function without undue influence from management	Charter acknowledges that internal auditors will have no direct operational responsibility over audited activities
BIZ		-	-
DAS			
DCBS			
DEQ			
DHS			
DOC			
DOJ	Did not provide	-	-
DOR			
DSL	Did not provide	-	-
HECC	Did not provide	-	-
ODA			
ODE			
ODF			
ODFW			
ODOE			
ODOT			
ODVA			
OED			
OHA			
OHCS	Did not provide	-	-
OJD			
OLCC			
OMD			
OPRD			
OSL			
OSP			
OST			
OYA			
PERS			
PUC			

Figure 7: Audit plan elements

	Agency provided an audit plan from either 2017 or 2018	Plan includes rationale for selection of proposed engagements	Plan has objectives and scope for planned engagements	Plan has evidence it is based on a risk assessment	Information provided to DAS includes external audits completed by the Oregon Audits Division*
BIZ	Did not provide	-	-	-	
DAS					
DCBS					
DEQ					
DHS	Did not provide	-	-	-	
DOC	Did not provide	-	-	-	
DOJ	Did not provide	-	-	-	
DOR					
DSL	Did not provide	-	-	-	
HECC	Did not provide	-	-	-	
ODA	Did not provide	-	-	-	
ODE					
ODF					
ODFW					
ODOE	Did not provide	-	-	-	
ODOT					
ODVA	Did not provide	-	-	-	
OED					
OHA	Did not provide	-	-	-	
OHCS	Did not provide	-	-	-	
OJD					
OLCC					
OMD					
OPRD**					
OSL					
OSP					
OST					
OYA					
PERS					
PUC	Did not provide				

* Several agencies did not provide an audit plan, but indicated that submissions they made to the DAS annual report fulfilled this requirement.

** During the final review process for the audit, the CAE from this agency indicated they have a more extensive audit plan than their summary document indicates. However, our office was not provided with the full audit plan when we requested it during fieldwork and, owing to the late date of this notification, we were unable to confirm this assertion.

Figure 8: Risk assessment elements

	Agency provided evidence of a risk assessment for 2016-2018	Assessment describes risk events	Assessment includes both likelihood and severity/impact of risk events	Assessment describes controls in place to mitigate risk events	Assessment estimates the effectiveness of current controls
BIZ					
DAS					
DCBS					
DEQ	Did not provide	-	-	-	-
DHS					
DOC*					
DOJ					
DOR					
DSL	Did not provide	-	-	-	-
HECC	Did not provide	-	-	-	-
ODA					
ODE					
ODF					
ODFW					
ODOE	Did not provide	-	-	-	-
ODOT					
ODVA					
OED*					
OHA					
OHCS	Did not provide	-	-	-	-
OJD					
OLCC					
OMD*					
OPRD					
OSL					
OSP*					
OST					
OYA					
PERS					
PUC					

* During the final review process for the audit, CAEs from these agencies indicated they perform a more extensive risk assessment process than their summary document indicates. However, our office was not provided with this report when we requested it during fieldwork and, owing to the late date of this notification, we were unable to confirm this assertion.

Appendix C: North Carolina Staffing Model

Figure 9 is based on the methodology used by the North Carolina Office of Management and Budget to determine the recommended minimum number of internal auditors for a given agency. Each agency is assigned a base recommendation based on appropriation, with a minimum of two auditors for each agency that meets the criteria. Other elements of the methodology include agency FTE, risk ranking, number of locations (decentralization), and pass-through funding. Each of these elements are associated with a risk factor, which increases or decreases the number of internal audit staff recommended.

The risk rating is subjective and based on known and perceived financial, operational and technology risk; criticality of the unit; probability of fraud; and public or political sensitivity. This risk rating is determined by consensus of state audit staff. This audit evaluated Oregon agencies both with and without the subjective risk rating. North Carolina agencies are staffed at 79% of the recommended level. Figure 9 includes both a full recommended staffing level for Oregon agencies, as well as the staffing level at 79% of the recommendation, resulting in a recommended range. Recommended staffing levels are rounded to the nearest whole number.

Contracted internal audit services were not included in the staffing analysis or in the table.

Figure 9: Results of North Carolina staffing methodology

	Internal Audit FTE as of May 2018	Recommended FTE without risk rating	Recommended FTE with risk rating	Difference
BIZ	0	2-3	2-3	2-3
DAS	1	3-4	4-5	2-4
DCBS	1	2	2	1
DEQ	0.25	2	2-3	1.75-2.75
***DHS	N/A	18-22	23-29	N/A
***OHA	N/A	18-22	23-29	N/A
***DHS/OHA	8	22-28	29-37	14-29
DOC	2	5-6	6-7	3-5
DOJ	0	3-4	3-4	3-4
DOR	2	2	2-3	0-1
DSL	0	1	1	1
HECC	0	6-7*	6-7*	6-7*
ODA	0	1	1	1
ODE	1	6-7	7-8	5-7
ODF	1	2	2-3	1-2
ODFW	1	2-3	2-3	1-2
ODOE	0	1-2	1-2	1-2
ODOT	6	7-9	9-11	1-5
ODVA	0	2-3	2-3	2-3
OED	1	6-8	7-8	5-7
OHCS	0	3-4	3-4	3-4
OJD	1	3-4	3-4	2-3
OLCC	0	2-3	2-3	2-3
OMD	0	2	2	2
OPRD	1	2-3	2-3	1-2
OSL	3	3	3-4	0-1
OSP	1	2-3	2-3	1-2
OST	1	1**	1**	0**
OYA	1	2	2	1
PERS	4	11-14*	12-15*	7-11*
PUC	0	1	1	1
TOTAL***	36.25	107-150	121-174	70.75-137.75

*Given the elements included in this methodology, staffing recommendations at PERS and HECC may face a higher risk of being overstated.

**Given the elements included in this methodology, staffing recommendations at OST may face a higher risk of being understated.

*** DHS and OHA share an audit function, and they are included both separately and combined. Totals for each column reflect a range that accounts for these calculations.



Oregon

Kate Brown, Governor

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August 24, 2018

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division's final draft audit report titled **Opportunities Exist to Increase the Impact of State Agency Internal Audit Functions**.

Thank you for providing the Department of Administrative Services the audit report regarding the internal audit functions of state government. DAS Executive Management and the DAS Chief Audit Executive (CAE) appreciate the collaborative approach taken by the Audits Division and value its work.

The report strongly validates the continuous improvement efforts taking place to enhance the internal audit functions within state agencies. However, while the report places a lot of the responsibility for improving audit functions within state government on DAS, we believe it is equally incumbent on individual agencies to recognize and value the contributions of their internal auditors. The success of an agency's internal audit program will depend on a combination of improved statewide guidelines and policies, as well as executive sponsorship and support at the agency level.

As noted in the body of this report, there has been a significant reduction in internal audit resources throughout state government. Specifically, total internal audit staff has gone from 53 staff in FY 2007-08 to 32 staff in FY 2016-17. DAS internal audit staff has been reduced from three to one in that same time period. As outlined in the audit report, if Oregon was to use North Carolina's staffing methodology, the Secretary of State calculates Oregon would need to add an additional 70 to 137 staff.

In order to address the recommendations outlined in the report with limited resources, DAS plans to rely heavily on the Chief Audit Executive Council (Council), which is made up of state government internal auditors. DAS executive management and the DAS CAE are already working closely with the Council to develop a stronger and more informational Annual Report on Statewide Internal Audit Activities, develop an FAQ for agency directors and audit committee chairs, and review the Oregon Administrative Rule that governs the internal audit role for possible changes. We have also discussed with the Council the need to develop and sustain productive audit committees through supportive training materials.

Below is our detailed response to each recommendation in the audit. Given the workload associated with 16 recommendations, as well as the long-term work projects related to some of the efforts, DAS has charted a five year effort to address the work associated with the recommendations.

RECOMMENDATION 1 Define the minimum amount of resources that constitutes an active internal audit function, whether staffed or contracted, and develop a methodology to determine the recommended staffing for internal auditing.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Generally Agree, however resource levels are determined by the state Legislature every two years through the biennial budget process	July 2023	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 1

In consultation with DAS management, the DAS CAE, the Council and other agency executives, methodologies will be researched with the aim to provide best practices and information helpful to internal audit resources for Oregon state government. It is important to note that a recommendation for staffing or resources does not necessarily mean that any additional staff or resources will ultimately be made available.

RECOMMENDATION 2 Determine whether the minimum qualifications for internal audit classifications should be amended to expand the pool of applicants.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	December 2023	CHRO – Madilyn Zike 503-378-3020

Narrative for Recommendation 2

DAS management and the DAS CAE will work with the Chief Human Resources Office (CHRO) to review the current MQ's of each of the three IA position levels. DAS management and the CHRO feel it would be best to complete this work after implementing Recommendation #1.

RECOMMENDATION 3 Dedicate sufficient human resources for both statewide internal audit coordination and internal auditing within DAS.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Neither agree nor Disagree	January 2022	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 3

DAS management will review the current staffing level and compare it to the resources needed to perform both statewide oversight and internal auditing within DAS. If it is determined that additional resources are needed, DAS may request the resources during the 2021 legislative session.

RECOMMENDATION 4		
Evaluate whether the classification of the statewide internal audit coordination position is appropriate, relative to Chief Audit Executives throughout the state.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	December 2023	CHRO – Madilyn Zike 503-378-3020

Narrative for Recommendation 4

DAS management and the DAS CAE will work with the CHRO to review the current classification level of the DAS CAE as well as the classifications of statewide CAE’s. DAS management and the CHRO feel it would be best to complete work after implementing Recommendation #1.

RECOMMENDATION 5		
Propose changes to administrative rules to address concerns identified in this report, including those related to misalignment of reporting periods, audit committee composition, and functional and administrative reporting.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	July 2021	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 5

DAS management, DAS CAE, the Council, and other necessary stakeholders will work on a review and possible revision of administrative rules relating to internal audit.

RECOMMENDATION 6		
Provide guidance to agency internal audit functions on minimum requirements for risk assessment processes, risk-based audits, and external reviews.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	June 2019	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 6

DAS management, DAS CAE, and the Council will develop and make available to agencies guidance on consistent reporting of the work surrounding the risk assessment process, risk-based audits, and external reviews.

RECOMMENDATION 7 Develop a strategic plan to coordinate agency internal audit efforts, promote effectiveness, and ensure integrity of internal auditing in the state.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Neither Agree nor Disagree	January 2022	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 7

DAS management will collaborate with the DAS CAE and the council on the best set of tools to provide to state agencies that will assist in coordinating of the internal audit function in state agencies, promoting effectiveness and ensuring the integrity of internal auditing in the state.

RECOMMENDATION 8 Work with the Legislature to strengthen and clarify state laws related to internal auditing and DAS’s role as a centralized coordinating body.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	July 2022	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 8

DAS management and other applicable bodies will work with the Legislature to review and possibly change state laws relating to internal audit in state government, including the role DAS is to play. Because legislative concepts for 2019 are well under way, the next opportunity for DAS to request any statutory changes will be during the 2021 legislative session.

RECOMMENDATION 9 Develop guidance or criteria to determine when an exemption to the internal audit requirement is appropriate.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	March 2019	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 9

DAS management, DAS CAE, and the Council will review the current policy on requesting and granting exemptions to rule. The DAS CAE and the Council will then develop procedures that relate directly to granting such exemptions on internal audit functions.

RECOMMENDATION 10		
Inform agencies that meet the current criteria that they are required to have an internal audit function.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	March 2019	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 10

DAS management and the DAS CAE will develop a letter that informs agencies that meet the current requirement and what guidance DAS is able to provide.

RECOMMENDATION 11		
Develop a formal process to track which agencies meet statutory requirements for establishing an internal audit function.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	March 2019	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 11

DAS management and the DAS CAE will develop a formal tool to assist in reviewing and tracking when an agency meets the requirement of having an internal audit function.

RECOMMENDATION 12		
Adjust the current criteria in state rules for the internal audit requirement to clearly identify state agencies that face the highest levels of risk. This should include a review of the types of transactions considered as “cash processed,” the levels of expenditure and staffing set more than a decade ago, and a consideration of other risk factors.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	July 2021	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 12

Along with the work being done from recommendation 1, DAS management, DAS CAE, and the Council will work with other bodies to develop a review of current criteria and adjust if necessary. This may potentially require a revision to the current administrative rules.

RECOMMENDATION 13 Make training materials available to new and existing internal audit staff at state agencies, including trainings that would enable staff members to participate in external peer reviews at other agencies.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	June 2019	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 13

The DAS CAE, in partnership with the Council and the IIA Salem Chapter, will develop a formal review process of training opportunities. This information will then be made available to all agency internal audit functions.

RECOMMENDATION 14 Provide training materials to new and existing audit committee members, including training on how to maintain the independence of the audit function and what work products to expect.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	June 2019	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 14

In partnership with the Council, the DAS CAE will review the audit committee training currently available, such as the Audit Committee Handbook and a training presentation. They will be updated as determined necessary and made available to audit committees at state agencies.

RECOMMENDATION 15 Revise the annual report on statewide internal audit activities to ensure it is clear, accurate, and helpful for internal audit stakeholders; includes meaningful information on internal audit performance; describes conformance with professional standards and state requirements; and details the costs and outcomes of internal audit contracting.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	December 2018	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 15

Working with DAS management and the Council, the DAS CAE revise the annual report format after seeking input from stakeholders on what information should be included in the report.

RECOMMENDATION 16		
Convene an internal audit working group including stakeholders such as state CAEs and professional auditing organizations to determine the appropriate level of centralization for internal audit functions in Oregon.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Neither Agree nor Disagree	TBD	DAS CAE – Lisa Upshaw 503-378-3076

Narrative for Recommendation 16

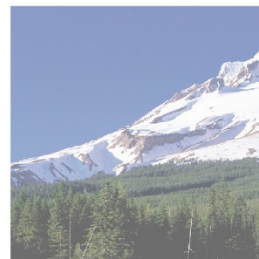
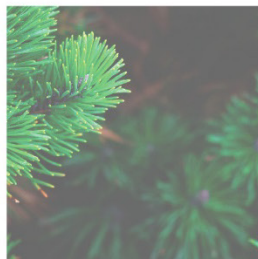
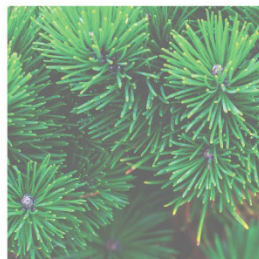
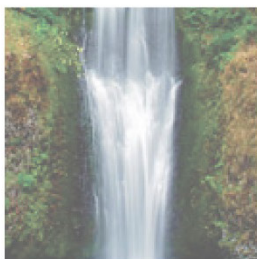
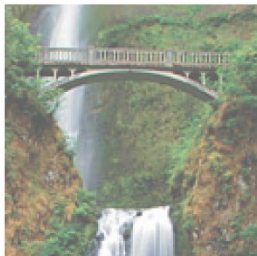
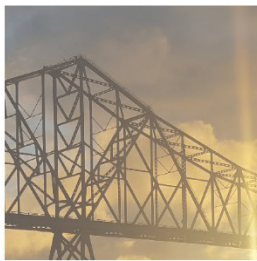
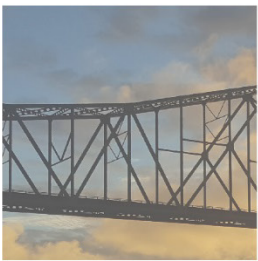
Working with DAS management, the Council and other applicable bodies, a review of this recommendation will be done after work is complete on the preceding 15 recommendations.

Please contact Lisa Upshaw, DAS CAE, at 503-378-3076 with any questions.

Sincerely,



Katy Coba
Chief Operating Officer | DAS Director



Audit Team

Will Garber, CGFM, MPA, Deputy Director

Jamie Ralls, CFE, ACDA, Audit Manager

Rebecca Brinkley, MPA, CFE, Lead Auditor

Eli Ritchie, MPA, Staff Auditor

Krystine McCants, M. Econ, Staff Auditor

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his 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.

This report is intended to promote the best possible management of public resources.
Copies may be obtained from:

Oregon Audits Division

255 Capitol St NE, Suite 500 | Salem | OR | 97310

(503) 986-2255

sos.oregon.gov/audits



PROPOSED SUPERVISORY SPAN OF CONTROL REPORT

In accordance with the requirements of ORS 291.227, Oregon Department of Agriculture presents this report to the Joint Ways and Means Committee regarding the agency's Proposed Maximum Supervisory Ratio for the 2019-2021 biennium.

Supervisory Ratio for the last quarter of 2017-2019 biennium

The agency actual supervisory ratio as of 12/1/17 is 1: 9.43
 (Date) (Enter ratio from last Published DAS CHRO Supervisory Ratio)

The Agency actual supervisory ratio is calculated using the following calculation;

$$\underline{50} = \underline{46} + \underline{5} - (\underline{1})$$

(Total supervisors) (Employee in a supervisory role) (Vacancies that if filled would perform a supervisory role) (Agency head)

$$\underline{439} = \underline{332} + \underline{107}$$

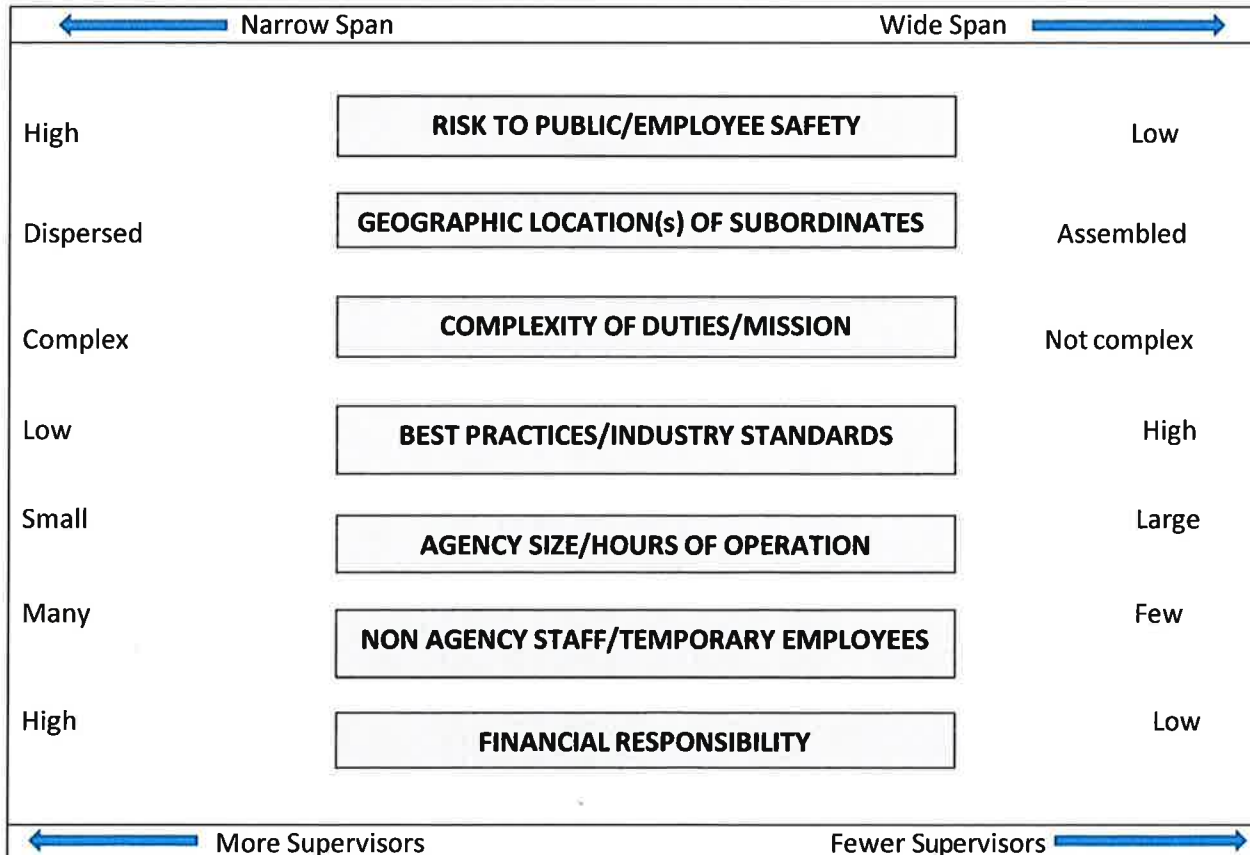
(Total non-supervisors) (Employee in a non-supervisory role) (Vacancies that if filled would perform a non-supervisory role)

The agency has a current actual supervisory ratio of-

$$1: \underline{8.78} = \underline{439} / \underline{50}$$

(Actual span of control) (Total non - Supervisors) (Total Supervisors)

When determining an agency maximum supervisory ratio all agencies shall begin of a baseline supervisory ratio of 1:11, and based upon some or all of the following factors may adjust the ratio up or down to fit the needs of the agency.



Ratio Adjustment Factors

Is safety of the public or of State employees a factor to be considered in determining the agency maximum supervisory ratio?
YES

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

The agency has a mission to ensure healthy natural resources, environment and economy for Oregonians now and in the future through inspection and certification, regulation, and promotion of agriculture and food.

As part of our mission we manage programs in four policy areas that include approximately 38 different programs. The policy areas are complex and require expertise in each of the programs to successfully manage the day to day complexities.

The agency's program managers are "working managers." As an example, our Food Safety managers each have a field of expertise that is necessary to assist our regulated customers as well as our staff in making decisions that impact the safety of our food supply. Expertise in the dairy program, meat inspection, retail food, processing, shellfish and seafood exists with our managers. The managers not only act in supervisory role for our inspection staff but also manage their field of expertise for our agency and customers. The State Veterinarian has a relatively small staff of field veterinarians and lab staff but is responsible for statewide regulated animal disease control. This requires a narrower span of control in order to keep the expertise in our agency and our state and to provide training and consistent program implementation to our field staff as they do their work.

Is geographical location of the agency's employees a factor to be considered in determining the agency maximum supervisory ratio? **YES**

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

The agency has statewide responsibilities and has staff located all across the state. ODA operates offices in Portland, Salem, Central and Eastern Oregon. Additionally, many field staff work directly from their homes, resulting in ODA managers that supervise staff widely dispersed across broad areas of Oregon. ODA also has a diverse set of programs across the state, from Food Safety to Marketing to Brand Inspectors. Many of our managers are responsible for multiple programs and have statewide responsibilities. The statewide responsibility of our agency drives the ratio downward as staff supervision is not concentrated in one office or location.

Is the complexity of the agency's duties a factor to be considered in determining the agency maximum supervisory ratio? **YES**

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

The agency is responsible for a diverse set of programs and has primary responsibilities in 38 different programs, all unique in their complexity and are set in Oregon Revised Statutes in more than 35 chapters. The programs range from Food Safety to Water Quality, to Hemp to Marketing and oversight of the state's Commodity Commissions.

The expertise and management of these programs is a factor in determining our supervisory ratio. Unlike other agencies who may be more narrowly focused in their mission, the ODA and the diversity of Oregon Agriculture creates challenges and expectations that at times can be highly complex. Workloads are increasing due to the variety of our work, the businesses who rely on ODA for prompt service, and new work which has come to us (i.e. cannabis regulation).

In order to meet the states' span of control objectives, the ODA tried to re-allocate some supervisory positions to lead positions and some supervisory positions were eliminated. In doing so, we created places in our agency where direct supervision was lacking or managers were providing supervision and technical leadership to areas that they were unfamiliar with or lacked the technical knowledge to help staff navigate the complexity of the work.

Are there industry best practices and standards that should be a factor when determining the agency maximum supervisory ratio? **Not Applicable**

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

N/A

Is size and hours of operation of the agency a factor to be considered in determining the agency maximum supervisory ratio?
YES

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

The ODA is considered a mid-size state agency and operates offices in Salem, Portland and has offices in Eastern and Central Oregon. Like the agriculture industry some of ODA's work is not limited to regular hours of 8-5 Monday through Friday. Our inspection work can demand services on the weekend or after hours to accommodate the needs of our agricultural customers. During the harvest or shipping seasons this work can be very time sensitive and demanding. To meet this demand, and maintain staffing that is adequate to meet the needs of our customers, managers will take on inspection roles to keep product moving and work is often after hours or on the weekend. This is especially true in our Shipping Point and Certification programs, and our Nursery and Christmas Tree programs.

Are there unique personnel needs of the agency, including the agency's use of volunteers or seasonal or temporary employees, or exercise of supervisory authority by agency supervisory employees over personnel who are not agency employees a factor to be considered in determining the agency maximum supervisory ratio? **YES**

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

ODA hires a significant seasonal workforce throughout the year. Some seasonal staff may only be needed for a few weeks a year, others are brought on for several months. In addition, we use inmate labor in our Shipping Point Inspection program. Utilizing seasonal positions helps the agency control costs by only working employees when needed to meet workload and customer needs. There is a significant management workload associated with hiring seasonal staff, training, providing orientation and scheduling. Managing a seasonal workforce, while also implementing program responsibilities requires more managers and include responsibilities that extend beyond a Monday through Friday full-time workforce.

Is the financial scope and responsibility of the agency a factor to be considered in determining the agency maximum supervisory ratio? **YES**

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11-

ODA is tasked with managing programs from a variety of funding sources. A majority of the agency's fiscal resources come from Other Funds through license fees and fee for service programs. The agency is one of the larger licensing agencies and annually processes 40,000 plus licenses. In addition, the agency receives Lottery Funds, General Fund and Federal Funds. The Federal Funds are primarily derived from Grant and Project work and are complex in their financial reporting requirements including program audits.

Based upon the described factors above the agency proposes a:

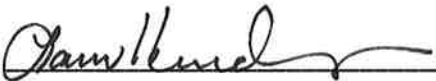
Maximum Supervisory Ratio of 1: 8

Unions Requiring Notification: SEIU

Date unions notified: January 24th, 2019

Submitted by: Lauren Henderson, Assistant Director

Date: January 24th, 2019

Signature Line  _____

Date 1/24/2019

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Date _____

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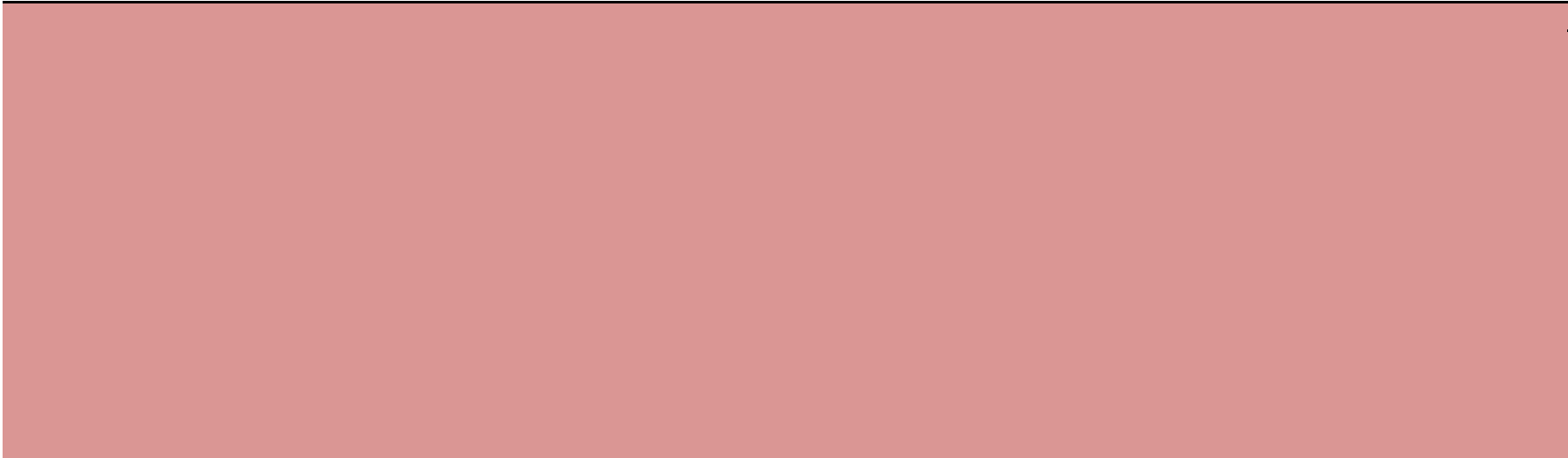
Project Name	Project Description	Estimated Start Date	Estimated End Date	Project cost to date	Estimated 19-21 Costs	All biennia total project cost	Base or POP	Project Phase: I=Initiation, P=Planning, E=Execution, C=Close-out	If continuing project - Has it been rebaselined for either cost, scope or schedule? Y/N - If Y, how many times?	Purpose: L=Lifecycle Replacement; U=Upgrade existing system; N=New system	What Program or line of business does the project support?
MyLicense - New License Applications and Payments	This solution would allow licensing customers to apply and pay for new license applications online thru MyLicense.oda.state.or.us. This development effort is comprised of two parts, a website component which enhances Mylicense.oda.state.or.us and an internal component which enhances the capability of the License Search Module and the Accounting Module.	1/1/19	1/1/21	0	365,300	487,000		E	N	U	All Programs
Pesticide Recertification Database Modernization	<p>Pesticide Recertification database needs to be rebuilt from scratch.</p> <p>Main Project Goal: Pesticides Recertification database needs to link the aerial credits entered into qualifying pesticide recertification courses (Recertification & Course Administration) to:</p> <p>1) The credit requirements needed to make licensed aerial, commercial, and public pesticide applicators "Eligible to Renew" (did an applicator meet recertification credit requirements mandated by Oregon law?); and</p> <p>2) The credit history reports for all licensed aerial, commercial, and public pesticide applicators available on our website (http://oda.state.or.us/dbs/pest_stat/search.lasso).</p>	1/19/18	1/1/21	0	\$283,550	\$378,000		E	N	N	Natural Resource Program

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2017-19 & 2019-21 BIENNIA

Agency: 60300 Oregon Dept. of Agriculture
 Contact Person (Name & Phone #): Lauren Henderson 986-4588

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
									Comments
									(1) All agency Other Funded programs manage expenditures to available cash. 2019-21 assumption of all limitation being spent is driving negative ending balances.
									(2) Operating reserve based upon 3 months of expenditures. 17-19 Operating reserve estimated by multiplying 17-19 estimated biennial expenditures by 12% (3/25= 12%); 25 months expenditures used for calculating biennial average.
									(3) Column (f) Ending Balances reflect 17-19 Leg Approved Budget thru September E-Board.
									(4) 17-19 Revenues/expenditures adjusted to reflect actuals more closely.
									(5) 19-21 Ending Balance calculation in column (i) based upon expenditures in GB.
									(7) Many of the department's fees are received annually. Please refer to color coded legend.
Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2017-19 Ending Balance		2019-21 Ending Balance		
					In LAB	Revised	In CSL @ ARB	Revised	
Limited	Admin and Support Services 010-01-00-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144	1,409,165	1,988,600	1,709,878	1,671,247	2019-21 Governor's Budget Pkg 110, 140, and Pkg 461 contain Other Funds expenditures.
Limited	Cannabis	0485/ Agriculture Interest Earning	Operations	ORS 561.144	2,226	2,763	11,134	25,940	Other Funds beginning balance adjustments have been made by the Agency during the GB budget phase.
Limited	Farm Mediation 010-07-00-00000	0401/ Agriculture Non-Interest Earning	Operations	ORS 36.252, 36.254, 36.268, 36.280	(325,411)	1	(367,923)	(367,923)	See comment (1).
Limited	Food Safety 030-01-10-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 603,616,619,621,625, 628,632,635	4,782,939	6,002,684	3,544,184	3,942,124	2019-21 Governor's Budget includes Other Funds revenue packages 230 & 280.
Limited	Shellfish 030-01-20-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 622.090	48,357	297,335	128,055	121,000	Program expenditures dependent upon environmental factors (i.e., meeting FDA regulations and shellfish closures).
Limited	Weights and Measures 030-02-10-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 618.136	2,252,849	3,112,224	1,290,341	2,608,833	2019-21 Governor's Budget includes Other Funds revenue packages 270 & 290.
Limited	Motor Fuel Quality 030-02-20-00000	0485/ Agriculture Interest Earning	Operations	ORS 646.959, 646.961	(21,707)	357,635	111,316	249,443	Other Funds beginning balances and revenue adjustments have been made by the Agency during the GB budget phase.
Limited	Laboratory Services 030-02-30-00000	0401/ Agriculture Non-Interest Earning	Operations	ORS 561.240, 561.144	(2,000,588)	305,355	(1,617,749)	(1,931,418)	See comment (1). 2019-21 Governor's Budget includes expenditures in Pkg 260. Other Funds limitation included in budget in the event that programs have urgent sampling needs.
Limited	Animal Health 030-01-30-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 561.144, 596.030, 596.311, 601.040, 609.335	771,608	814,462	821,390	753,667	Other Funds beginning balance adjustments have been made by the Agency during the GB budget phase.

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j)



Comments

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(2) Operating reserve based upon 3 months of expenditures. 17-19 Operating reserve estimated by multiplying 17-19 estimated biennial expenditures by 12% (3/25= 12%); 25 months expenditures used for calculating biennial average.

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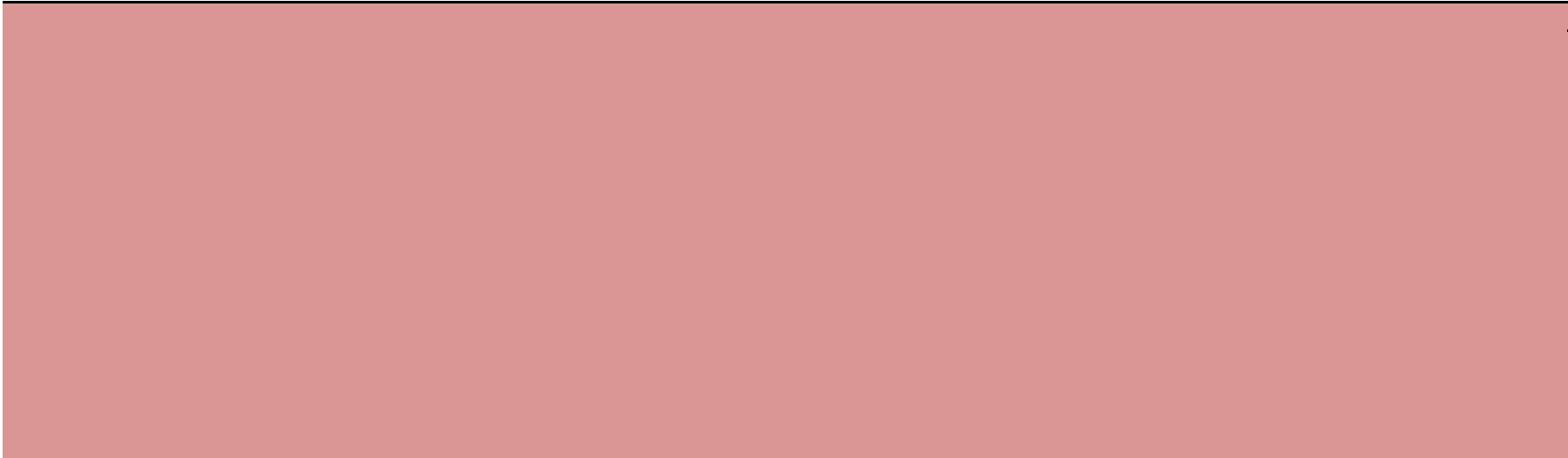
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Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2017-19 Ending Balance		2019-21 Ending Balance		
					In LAB	Revised	In CSL @ ARB	Revised	
Limited	Livestock 030-01-50-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 604.066	1,402,900	1,185,891	1,146,521	1,365,638	
Limited	Feeds 030-01-40-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 633.089	404,351	155,330	(2,417)	60,683	Estimates revised to reflect case enforcement costs for one specific case, specifically AG related expenditures. Anticipated as one-time costs.
Limited	Soil and Water Cons Districts 040-01-10-00000	0401/ Agriculture Non-Interest Earning	Operations	ORS 561.401	(22,604)	(23,235)	(21,922)	(22,776)	
Limited	Ag Water Quality (SB1010) 040-01-20-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 558.140	(293,141)	11,787	(328,304)	(316,949)	See comment (1).
Limited	Confined Animal Feeding Op. 040-01-30-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 561.144, 468B.215, 468B.230	(167,103)	68,023	(319,176)	55,457	See comment (1). 2019-21 Governor's Budget includes Other Funds revenue package 340.
Limited	Smoke Management 040-01-40-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 468A.615	(241,296)	429,095	(178,791)	(160,557)	See comment (1).
Limited	Natural Resources 040-01-50-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 561.144, 561.401 622.300	(396,434)	(234,419)	(403,886)	(404,035)	See comment (1).
Limited	Christmas Tree 040-02-10-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 561.144, 571.580	(178,826)	190,137	(125,058)	(168,567)	See comment (1).

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j)



Comments

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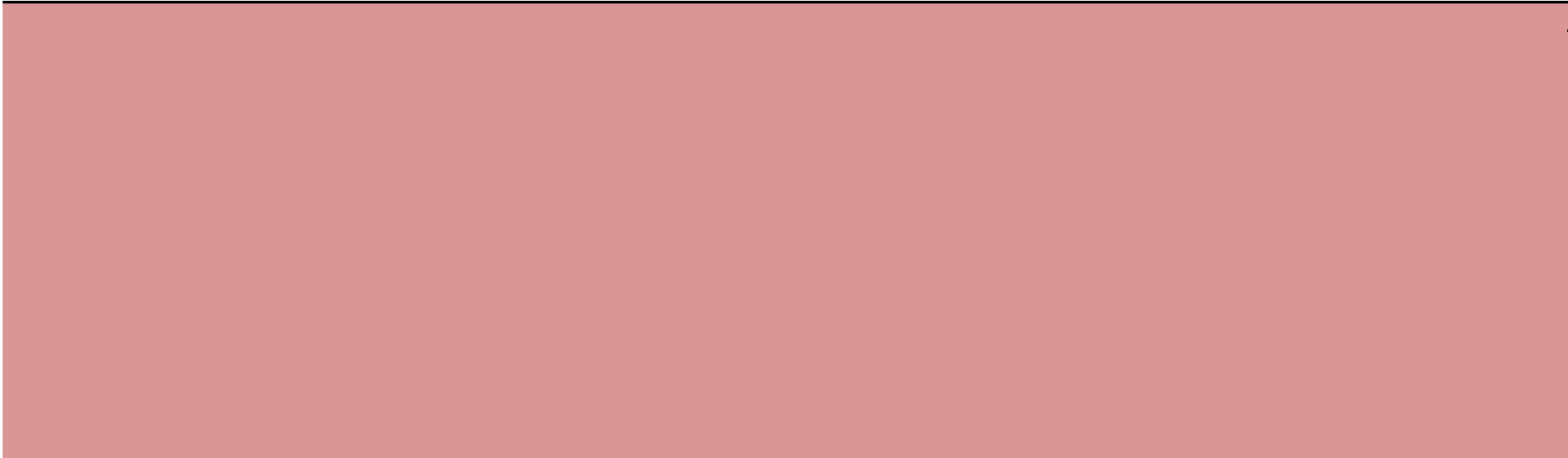
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Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2017-19 Ending Balance		2019-21 Ending Balance		Comments
					In LAB	Revised	In CSL @ ARB	Revised	
Limited	Weed Control 040-02-20-00000	0401/ Agriculture Non-Interest Earning	Operations	ORS 561.240	(226,341)	(19,811)	(245,116)	(255,707)	See comment (1).
Limited	Nursery Section 040-02-30-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 571.230	703,131	2,391,408	3,064,775	2,370,293	2019-21 Governor's Budget includes expenditures in Pkg 395.
Limited	Nursery Research 040-02-40-00000	0485/ Agriculture Interest Earning	Operations	ORS 571.059	52,313	484,247	155,820	464,607	Dependent upon research grant requests.
Limited	Insect Pest Prevention & Mgmt 040-02-50-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 561.144, 632.940	(125,733)	(138,280)	(108,987)	(159,121)	See comment (1).
Limited	Invasive Species Council 040-02-60-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 571.370	(76,596)	(80,166)	(199,022)	(264,454)	Council will not spend limitation unless revenue is brought in to cover expenditures. Revenue generated from grants and donations, project specific work.
Limited	Plant Conservation Biology 040-02-70-00000	0401/ Agriculture Non-Interest Earning	Operations	ORS 564.105	(329,087)	(213,284)	(388,786)	(92,883)	Program relies on Federal and Other Funds grants.
Limited	Pesticides 040-01-60-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 634.326	5,268,501	6,752,763	6,357,558	7,189,599	Includes Pesticide Stewardship Monitoring Partnership Program, Minor Crops Research, and 211 Hotline. 2019-21 Governor's Budget includes expenditures in Pkg 370 and 461. Other Funds beginning balance and revenue adjustments have been made by the Agency during the GB budget phase.
Limited	Fertilizers 040-01-70-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 633.089	1,623,723	2,316,981	1,703,541	2,512,919	See comment (1).
Limited	Pesticide Analytical Resp Ctr 040-01-90-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 634.326	(778,145)	(1,372,112)	(1,425,087)	(1,383,730)	Program supported by Pesticide Product Registration Fees. Expenditures use the cash balance included in the Pesticide Program.
Limited	Apiary 040-02-80-00000	0485/ Agriculture Interest Earning	Operations	ORS 602.180	75,458	8,461	36,195	89,419	Program costs consist of Special Payments to Oregon State University (OSU) related to pollinator health.

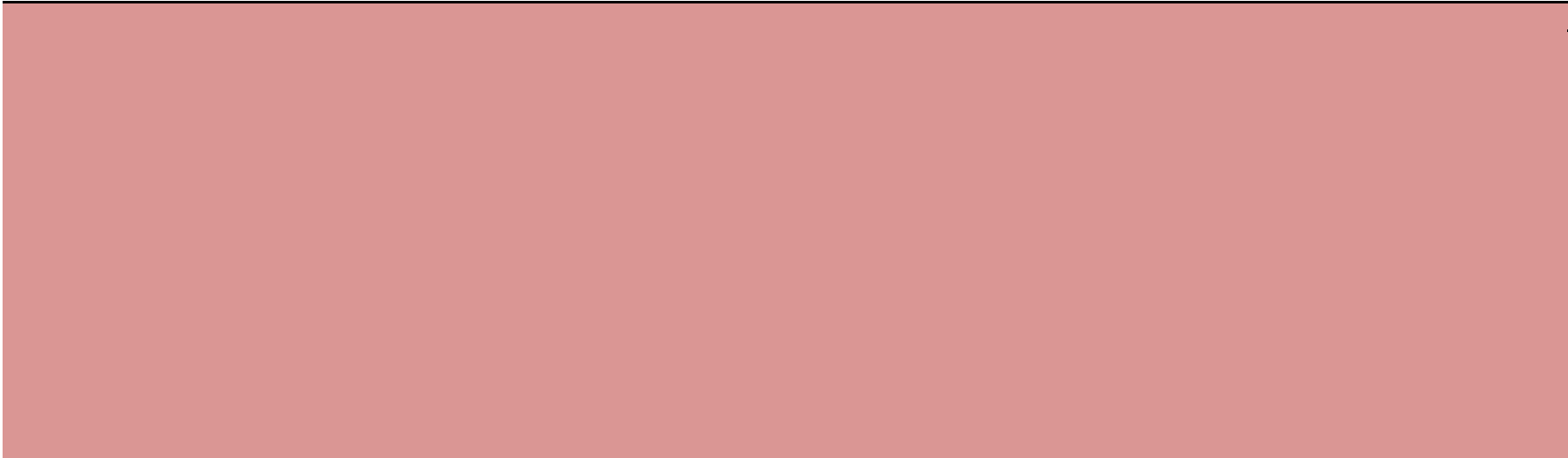
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Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2017-19 Ending Balance		2019-21 Ending Balance		Comments
					In LAB	Revised	In CSL @ ARB	Revised	
Limited	Hemp 040-02-90-00000	1823/ The Industrial Hemp Fund- Interest Earning	Operations	ORS 571.305	0	0	(156,949)	2,879,298	New DCR for 19-21 Biennium
Limited	Shipping Point 050-01-10-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 632.940	2,128,541	3,631,884	1,356,325	1,800,278	2019-21 Governor's Budget includes expenditures in Pkg 440.
Limited	Seed 050-01-20-00000	0485/ Agriculture Interest Earning, 0401/ Agriculture Non-Interest Earning	Operations	ORS 561.144, 633.680, 633.700, 633.720, 633.750	444,463	494,302	566,186	351,279	
Limited	Hops/Hay/Grain 050-01-30-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 586.270, 586.710, 632.940	363,758	2,332,216	763,767	908,559	2017-19 included Hemp program. 2019-21 ending balance does not include Hemp, which has a distinct DCR beginning in 2019-21 biennium.
Limited	Produce 050-01-40-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144	64,972	65,693	66,362	67,825	
Limited	Plant Health 050-01-50-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 561.240, 633.620, 633.750	2,122,786	2,520,586	2,077,931	2,362,370	
Limited	Certifications 050-01-60-00000	0485/ Agriculture Interest Earning	Operations	ORS 561.144, 632.940.	(273,469)	(317,751)	(660,563)	(399,077)	2019-21 Governor's Budget includes Other Funds revenue package 450. Certifications program reliant upon Shipping Point Program.
Limited	Ag Development 050-01-70-00000	0401/ Agriculture Non-Interest Earning	Operations	ORS 576	(97,307)	40,294	(287,731)	(254,900)	See comment (1).
Limited	Commodity Commission Oversight 050-01-80-00000	0401/ Agriculture Non-Interest Earning	Operations	ORS 561.144, 576.304, 576.325	(268,541)	(101,132)	(262,326)	(452,041)	Program operates on a cost recovery basis. Assessments are collected in November for the prior year. Timing of assessments will offset any negative projection.
					18,099,712	33,459,967	17,811,486	25,216,340	

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j)



Comments
 (1) All agency Other Funded programs manage expenditures to available cash. 2019-21 assumption of all limitation being spent is driving negative ending balances.
 (2) Operating reserve based upon 3 months of expenditures. 17-19 Operating reserve estimated by multiplying 17-19 estimated biennial expenditures by 12% (3/25= 12%); 25 months expenditures used for calculating biennial average.
 (3) Column (f) Ending Balances reflect 17-19 Leg Approved Budget thru September E-Board.
 (4) 17-19 Revenues/expenditures adjusted to reflect actuals more closely.
 (5) 19-21 Ending Balance calculation in column (i) based upon expenditures in GB.
 (7) Many of the department's fees are received annually. Please refer to color coded legend.

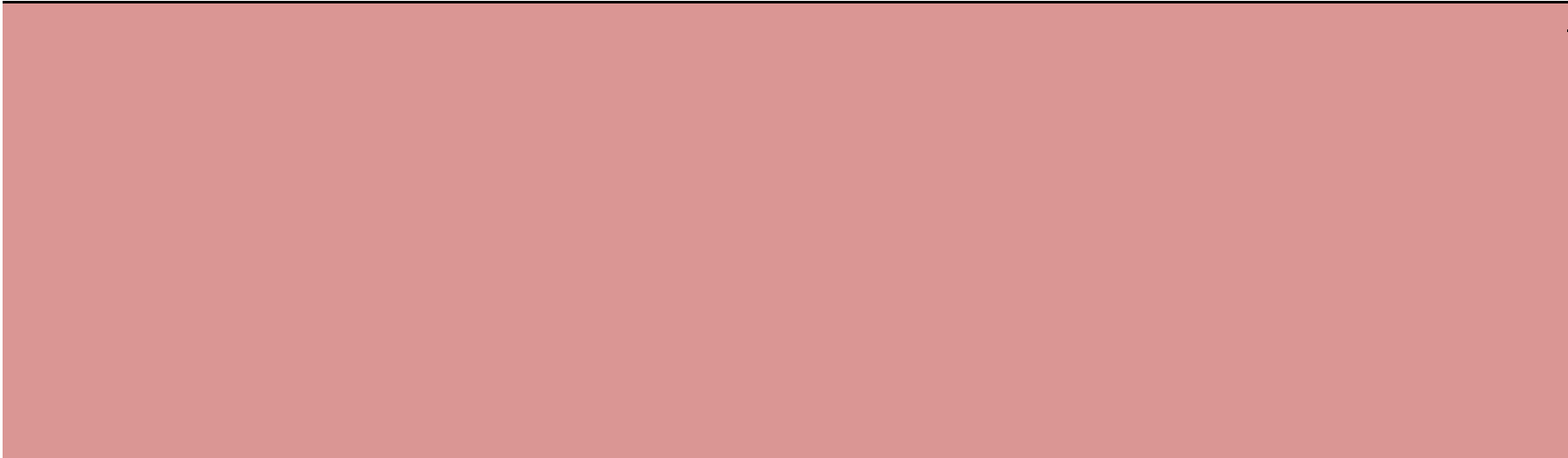
Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2017-19 Ending Balance		2019-21 Ending Balance	
					In LAB	Revised	In CSL @ ARB	Revised
			Majority of fees collected Mid-May through June 30					
			Majority of fees collected Mid-November through December 30					
			Registration fees received in May, Burning fees summer/fall					
			Majority of fees collected November, December and during the summer months					
			Majority of revenue collected during fall					

Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2019-21 legislatively adopted budget.

Instructions:

- Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.
- Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2017-19 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).
- Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (j).
- Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.
- Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.
- Columns (f) and (h): Use the appropriate, audited amount from the 2017-19 Legislatively Approved Budget and the 2019-21 Current Service Level at the Agency Request Budget level.
- Columns (g) and (i): Provide updated ending balances based on revised expenditure patterns or revenue trends. Do not include adjustments for reduction options that have been submitted unless the options have already been implemented as part of the 2017-19 General Fund approved budget or otherwise incorporated in the 2017-19 LAB. The revised column (i) can be used for the balances included in the Governor's budget if available at the time of submittal. Provide a description of revisions in Comments (Column (j)).

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j)



Comments
 (1) All agency Other Funded programs manage expenditures to available cash. 2019-21 assumption of all limitation being spent is driving negative ending balances.
 (2) Operating reserve based upon 3 months of expenditures. 17-19 Operating reserve estimated by multiplying 17-19 estimated biennial expenditures by 12% (3/25= 12%); 25 months expenditures used for calculating biennial average.
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Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2017-19 Ending Balance		2019-21 Ending Balance	
					In LAB	Revised	In CSL @ ARB	Revised

Column (i): Please note any reasons for significant changes in balances previously reported during the 2017 session.

Additional Materials: If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast.