



Oregon's largest consumer protection and business regulatory agency

Written Narrative
Ways and Means Subcommittee on
Transportation and Economic Development

March 28, 2023

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Department of Consumer and Business Services

The Department of Consumer and Business Services is Oregon's largest consumer protection and business regulatory agency. We are a resource to consumers and businesses in areas involving:

- Building safety
- Workplace health and safety
- Financial services (insurance, investments, Oregon-chartered banks and credit unions, consumer finance companies, mortgage lenders, pawnbrokers, payday lenders)
- Workers' compensation insurance
- Prescription drug pricing and affordability

DCBS mission

To protect and serve Oregon's consumers and workers while supporting a positive business climate.

What we do

Everyone in Oregon is affected by the work we do at the Department of Consumer and Business Services.

From workplaces to banking, investments, and insurance to buildings, we wear a number of different hats at DCBS to keep people safe.

We regulate and oversee financial services, both from a consumer protection standpoint and one of safety and soundness of those financial institutions, including banks, credit unions, insurance companies, nondepository programs, and securities.

We oversee the worker protection system. This includes Oregon OSHA, as well as the Workers' Compensation Division, and our Ombuds programs for small businesses and Oregon workers. We provide services and support to the Workers' Compensation Board, which provides timely dispute resolution.

We set state construction standards, and license building trades workers and building code inspectors.

DCBS supports workers, consumers, and businesses

We support a positive business climate and help the business community while also protecting consumers. These are not mutually exclusive. There is a strong symbiotic relationship between a safe and robust business environment and consumer protection. Some examples include:

- Our workers' compensation system has some of the lowest rates in the U.S., which is great for employers, while providing robust benefits to workers injured on the job. Also, the Ombuds Office for Oregon Workers and the Small Business Ombudsman help workers and small businesses navigate the system. The Ombuds Office for Oregon Workers also helps workers with workplace health and safety issues.
- Oregon's Reinsurance Program allows for lower insurance rates for consumers and greater security for insurance companies.

- Oregon OSHA's consultation services help employers find ways to improve workplace safety, which can save businesses money, keep employees safe, and save lives.
- The Division of Financial Regulation's innovation hub and innovation liaison help insurance, financial, and technology companies bring innovative products, services, and tools to Oregonians.

Engaging and empowering diverse communities in Oregon

Diversity, equity, and inclusion (DEI) are core values throughout DCBS. We are passionate about building and sustaining a diverse, inclusive, and engaging environment for all employees and Oregon communities. We believe that everyone – internal and external – enhances our diversity by exposing us to a broad range of ways to identify challenges and understand and engage with one another.

DCBS has been resolute to create an environment that is more inviting to everyone in Oregon, especially members of underrepresented and underserved communities. The DEI and Multicultural Communications programs work hand in hand to cultivate an inclusive atmosphere and continue to collaborate with diverse communities.



DCBS is committed to providing people with equal access to its programs and services and fair and equal employment opportunities. We are dedicated to making our programs available to everyone in Oregon, which means finding different ways to connect and communicate with groups.

We collaborate with community organizations and partners, including the Consulate of Mexico, Virginia Garcia Health Memorial, Partners in Diversity, and UNETE, among others.

In 2022, our Multicultural Communications Program (MCP) manager provided in-person outreach – in partnership with the Consulate of Mexico – throughout Oregon to more than 3,000 Spanish speakers. Our MCP manager also provided in-person outreach to about 1,000 workers in partnership with the Virginia Garcia Health Memorial outreach team.



Oregon OSHA hosted the state's second Spanish-language workers' safety conference in November 2022, which had excellent turnout.

Targeted toward workers, all of the presentations at the conference were in Spanish and focused on helping workers understand their rights and know that there is recourse if their employer is not complying with workplace safety standards.

We offer financial literacy resources and advocate fair treatment and equity in banking, lending, and insurance practices.

We are members of the Governor's Racial Justice Council and we have a strong Diversity, Equity, and Inclusion Office and

Council at DCBS that provide learning and growth opportunities for our team, as well as guidance for our department by having strong interpersonal relationships and honest communication.

DCBS strives to maintain positive relationships with the nine federally recognized Oregon tribes. Through continuous engagement with the Economic Development and Community Services Cluster and Senate Bill 770 Health and Human Services Cluster, DCBS provides information about its services and programs. Our divisions' tribal liaisons are committed to continuing to identify areas that could benefit or serve the tribes.

We also participate on the Governor's Commission on Senior Services and partner on issues involving underrepresented and underserved seniors.

With the approval of House Bill 2167 (2021) – the Racial Justice Council Codification bill – and with guidance from the council and the Governor's Office, DCBS created a community engagement plan. In order to create the plan, the agency held three open houses with community groups to listen to their needs and ask for their help. DCBS divisions also met with partners to receive their input.

In creating the plan, the agency and divisions found areas where we can do better. Creating the plan is not where our work ends. We continue to strive to meet the plan's goals.

In addition, two programs – the Division of Financial Regulation's Consumer Education and Outreach Program and Oregon OSHA's Outreach program – submitted racial equity impact statements as part of the budgeting process.

We acknowledge that we always have room to grow and learn, and we strive to have collaborative relationships with each of our partners.

Our Community Engagement Plan is at <https://www.oregon.gov/dcbs/Documents/community-engagement/DCBS-community-engagement-plan.pdf>.

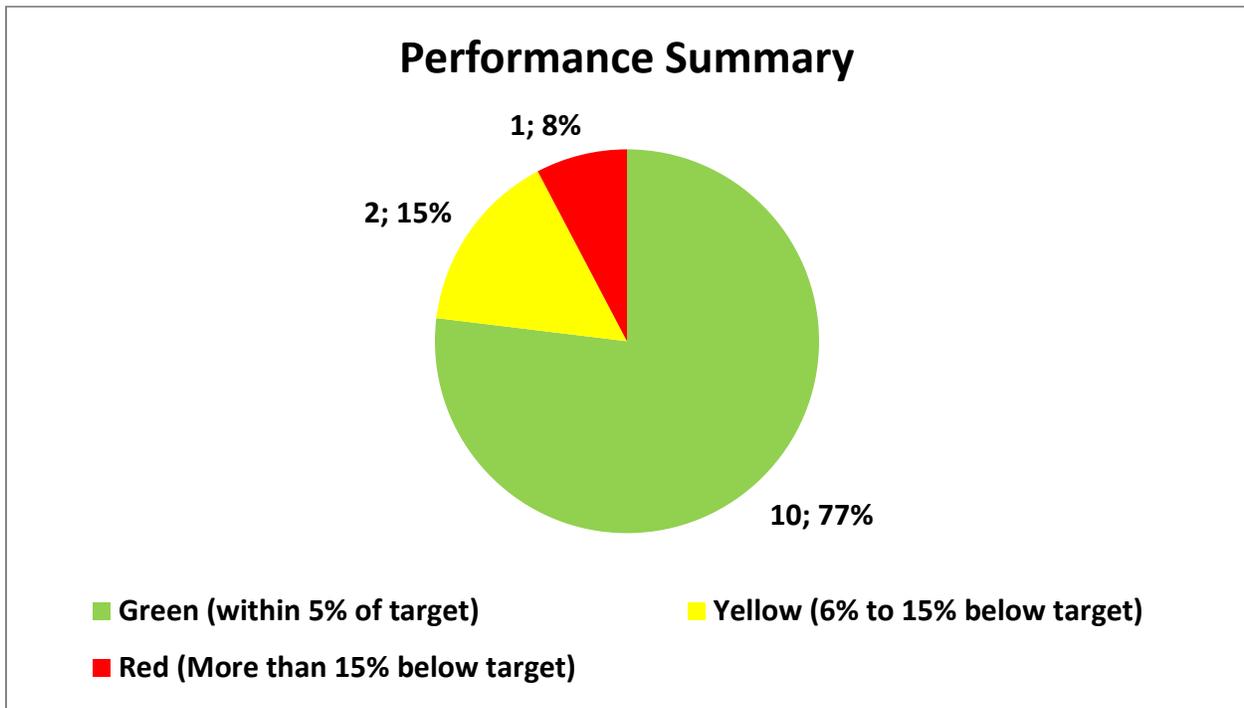
Key performance measures and outcomes

Performance summary

DCBS uses key performance measures to set goals and assess progress toward those goals. With the help of DCBS employees, stakeholders, and interested people, we developed 13 key performance measures that were adopted by the legislature. These measures help us gauge our progress in key areas toward meeting our mission and goals, as well as help us develop strategies for improvement.

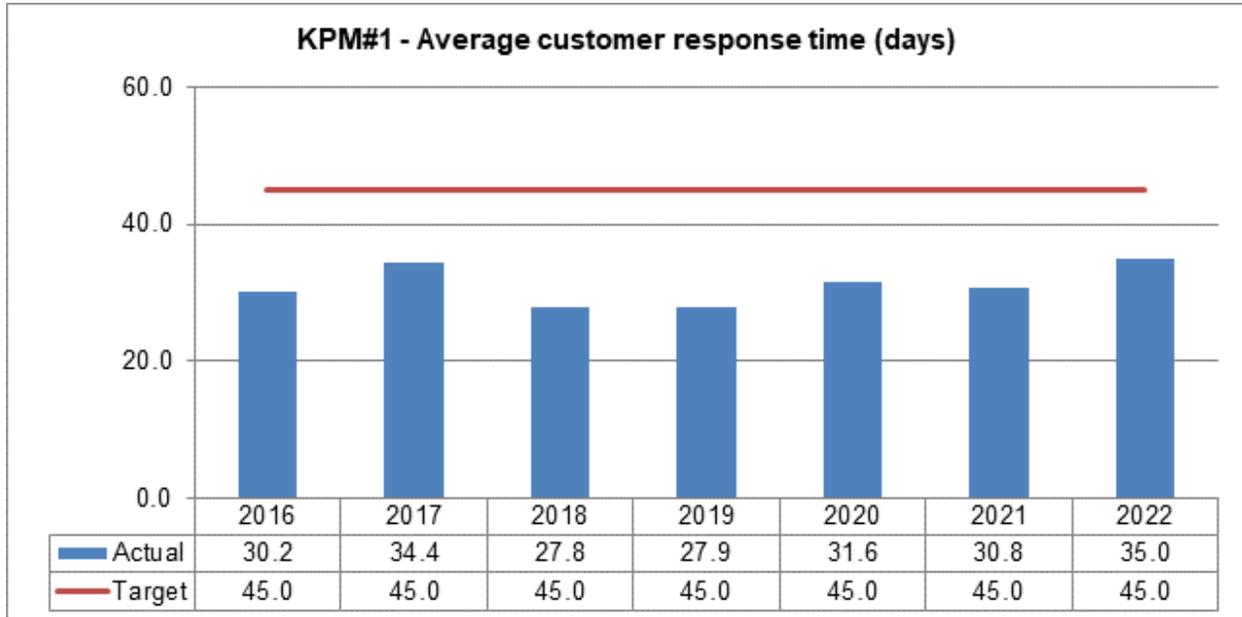
We have many internal measures of performance, but we have identified these 13 measures as key measures because they represent significant activities we perform to accomplish our goals. The measures reflect the activities and operations of all divisions within DCBS. Note: In a previous review of these measures, measure No. 7 was removed and measure No. 14 was added. It is more effective to remove a number and add a new one to keep the record and number for existing measures consistent.

Most of the key performance measures for DCBS are within 5 percent of target. There are two that fall in the 6 percent to 15 percent of target range and one that falls into the 15 percent or greater range outside of the target.



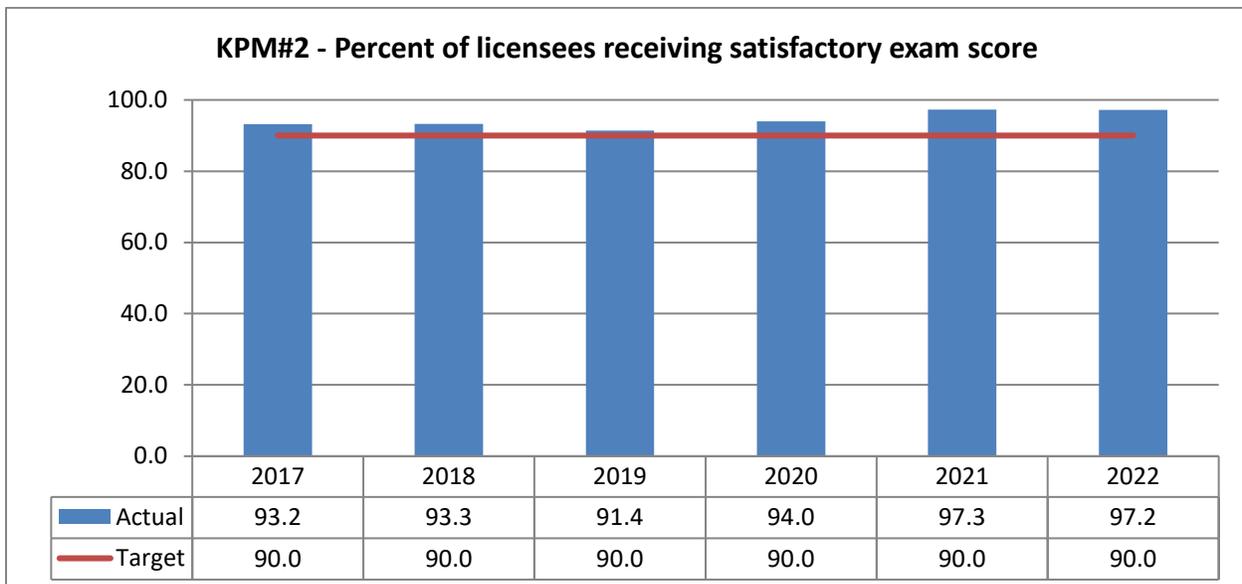
Key performance measure 1 – Average customer response time (days)

This measure demonstrates the ability of the Division of Financial Regulation to communicate with external customers in a timely manner. The goal is a number less than the target.



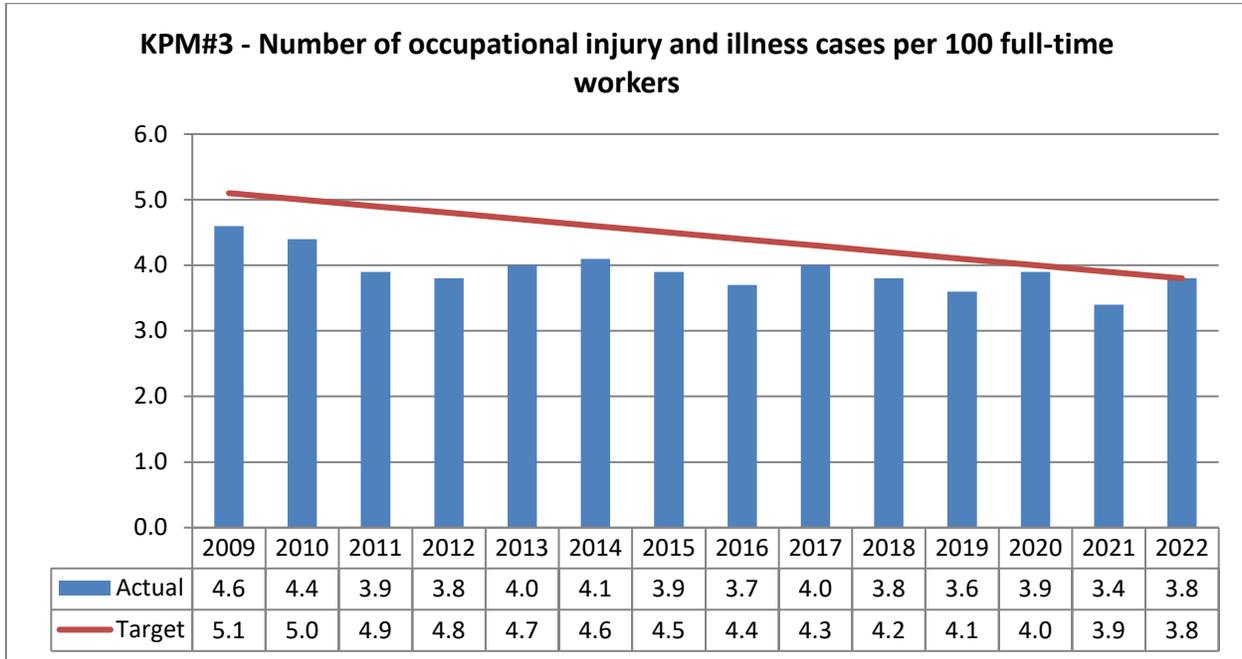
Key performance measure 2 – Percent of licensees receiving satisfactory exam score

This measure gauges licensees receiving a satisfactory examination score from the Division of Financial Regulation. The goal is a number higher than the target.



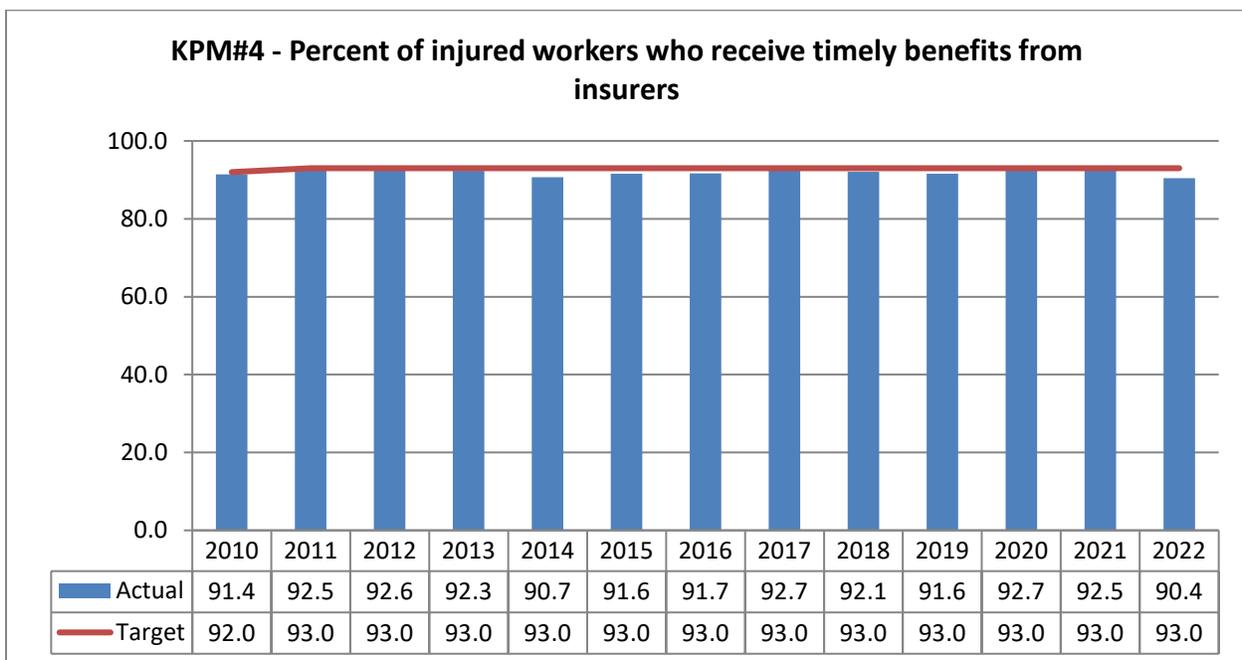
Key performance measure 3 – Number of occupational injury and illness cases per 100 full-time workers

This measure gauges the number of injury and illness cases (that resulted in one or more days away from work) per 100 full-time workers. The goal is a number less than the target.



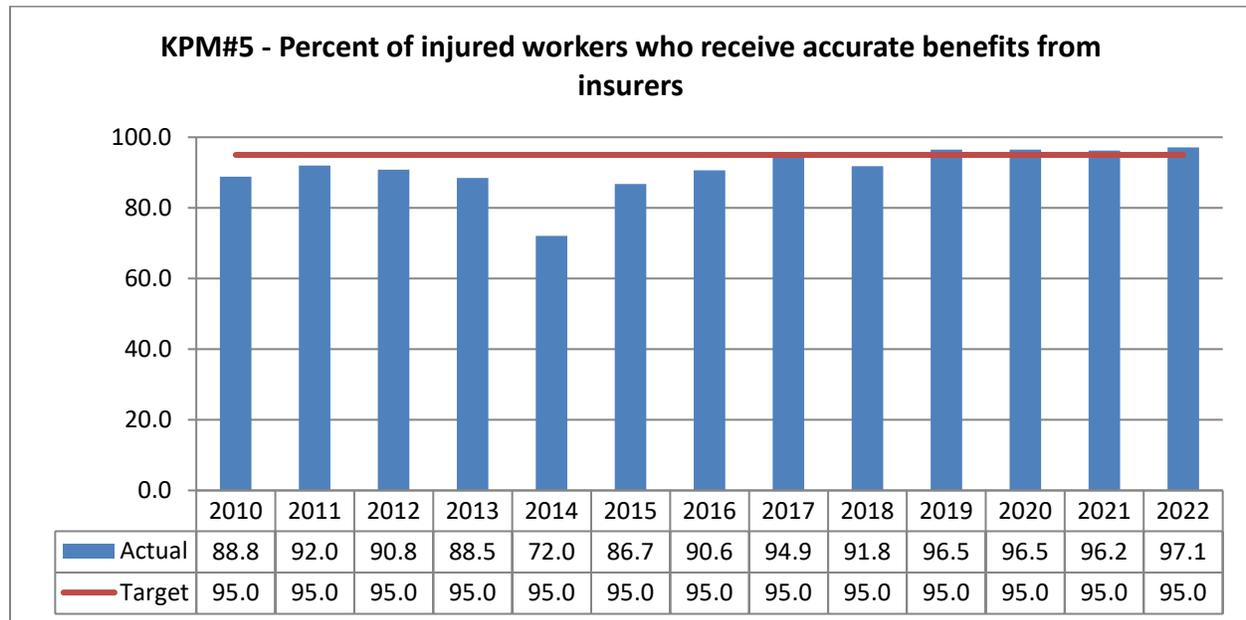
Key performance measure 4 – Percent of injured workers who receive timely benefits from insurers

This measure tracks the timeliness of benefit payments by insurers to injured workers. The measurement includes timely payments of time loss, permanent disability, death benefits, and worker reimbursements. The goal is a number higher than the target.



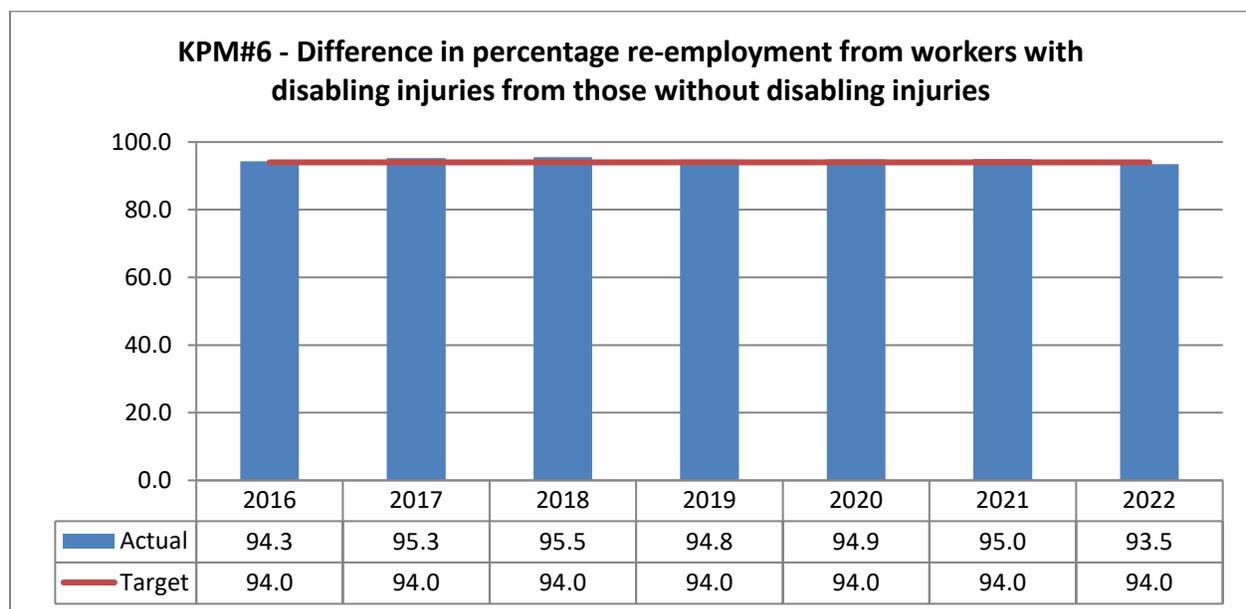
Key performance measure 5 – Percent of injured workers who receive accurate benefits from insurers

This measure tracks the number of applicable accurate payments of benefits by insurers to injured workers. The measurement includes accurate payments of: time loss, permanent disability, death benefits, and worker reimbursements. The goal is a number higher than the target.



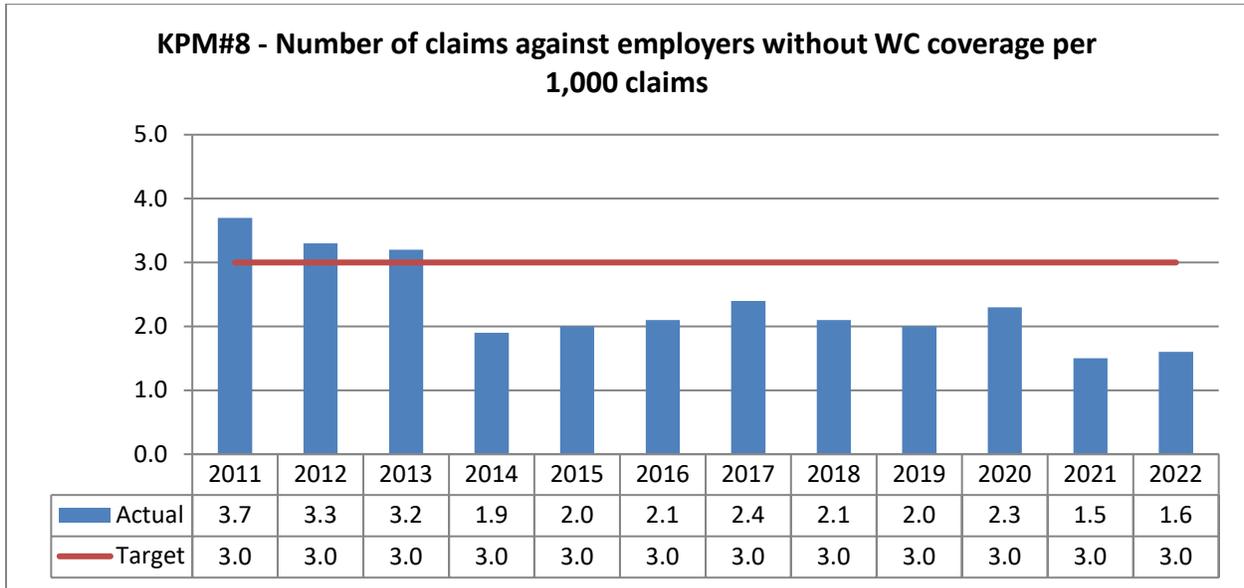
Key performance measure 6 – Percent of re-employment from workers with disabling injuries from those without disabling injuries

This measure gauges injured worker re-employment by tracking the difference in percentage from workers with disabling injuries from those without disabling injuries. The goal is a number higher than the target.



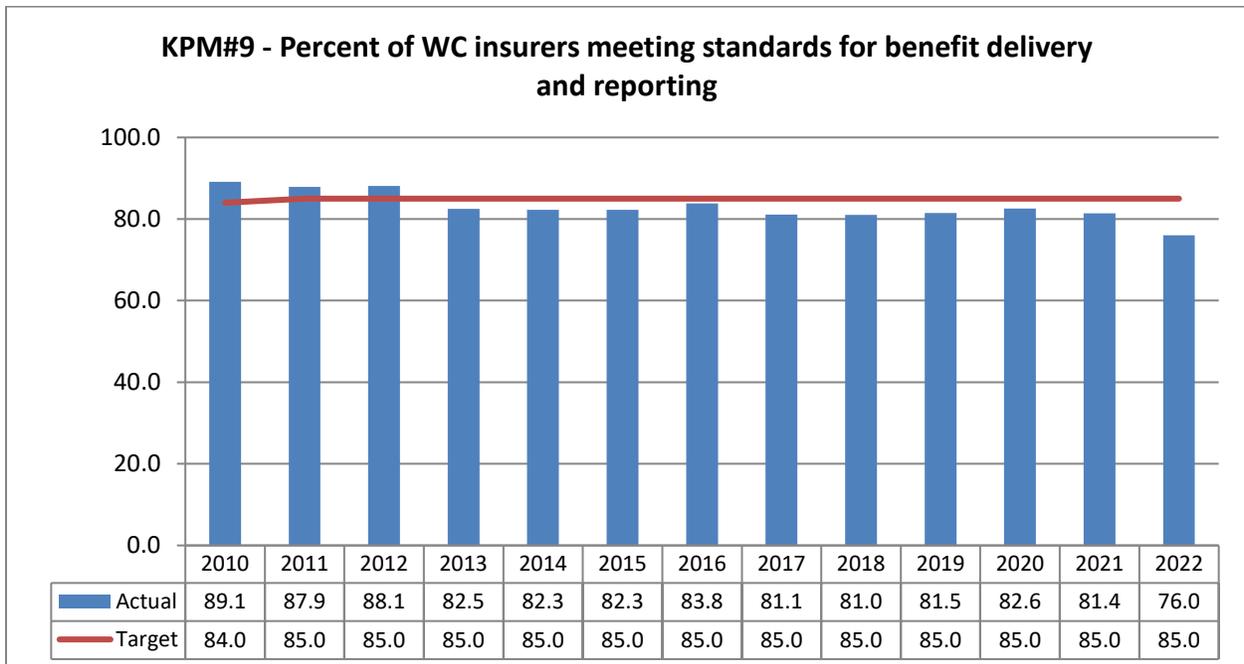
Key performance measure 8 – Number of claims against employers without workers’ compensation coverage per 1,000 claims

This measure gauges the results of Workers’ Compensation Division regulation aimed at reducing employer noncompliance. The measure is a proxy measure that helps DCBS evaluate the proportion of employers who carry coverage. The goal is a number less than the target.



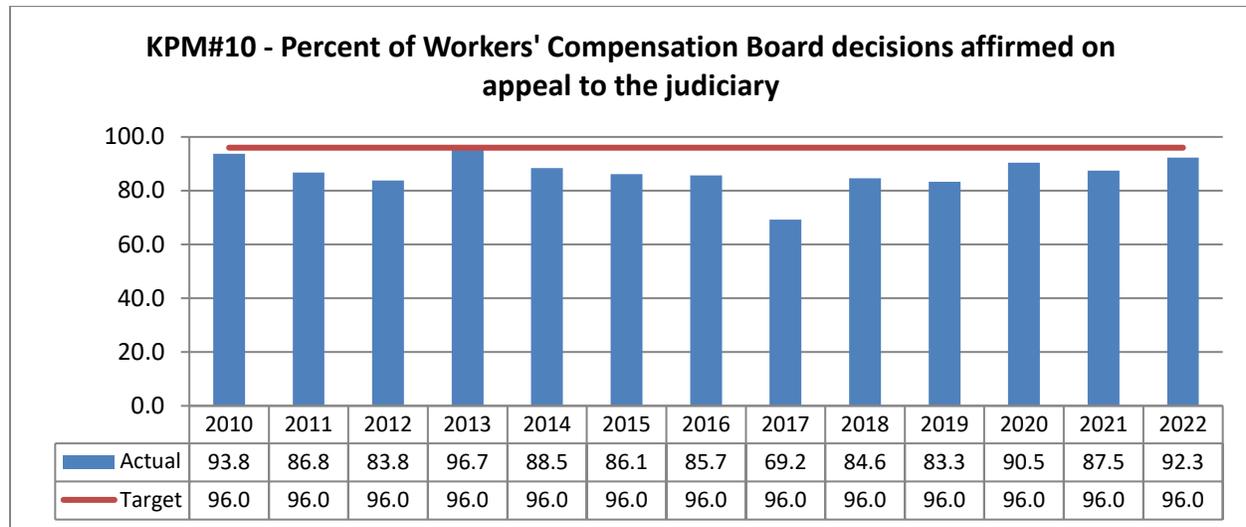
Key performance measure 9 – Percent of workers’ compensation insurers meeting standards for benefit delivery and reporting

This measure gauges the percentage of regulated entities operating in compliance with the governing laws and regulations of Oregon. The goal is a number higher than the target.



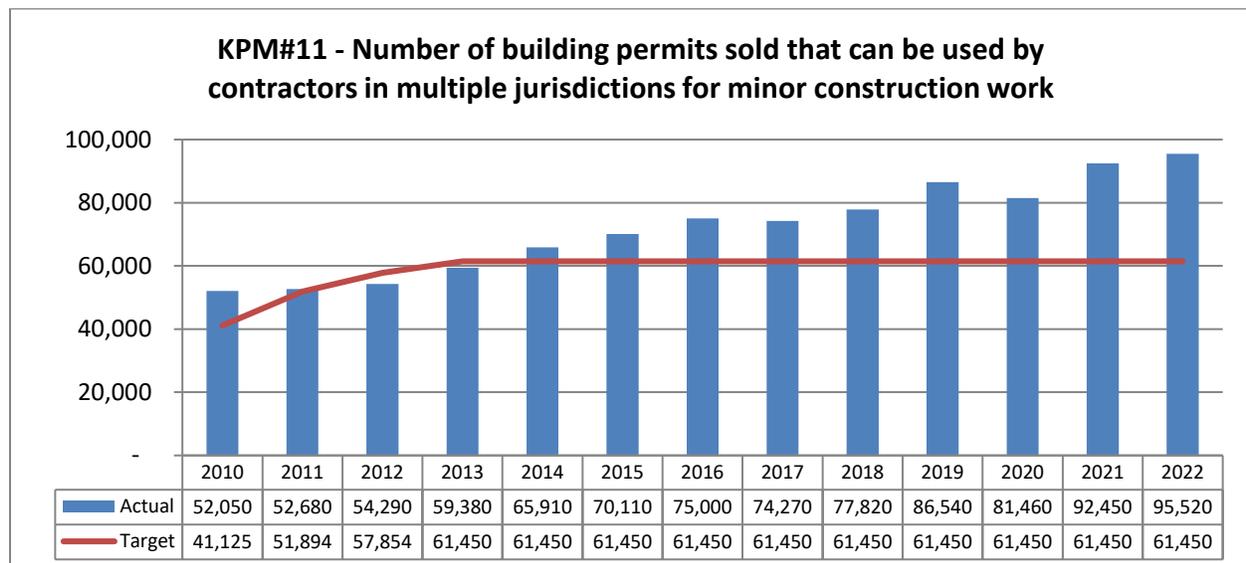
Key performance measure 10 – Percent of Workers’ Compensation Board decisions affirmed on appeal to the judiciary

The performance of this measure is higher than it has been in the past six years. Depending on the number of board decisions that are appealed and then affirmed on appeal to the judiciary, a few overturned cases can significantly skew this measure. Unlike other measures where it may be possible to continually move toward higher levels of achievement, a certain amount of flux is to be expected because of the nature of the board and the judicial system. Appeals are built into this system to provide fair process and redress. The purpose of this KPM is to track the percentage of decisions made by the board that are affirmed on appeal by the judiciary and to monitor for significant discordance between the decisions of the board and the judiciary. The goal is a number higher than the target.



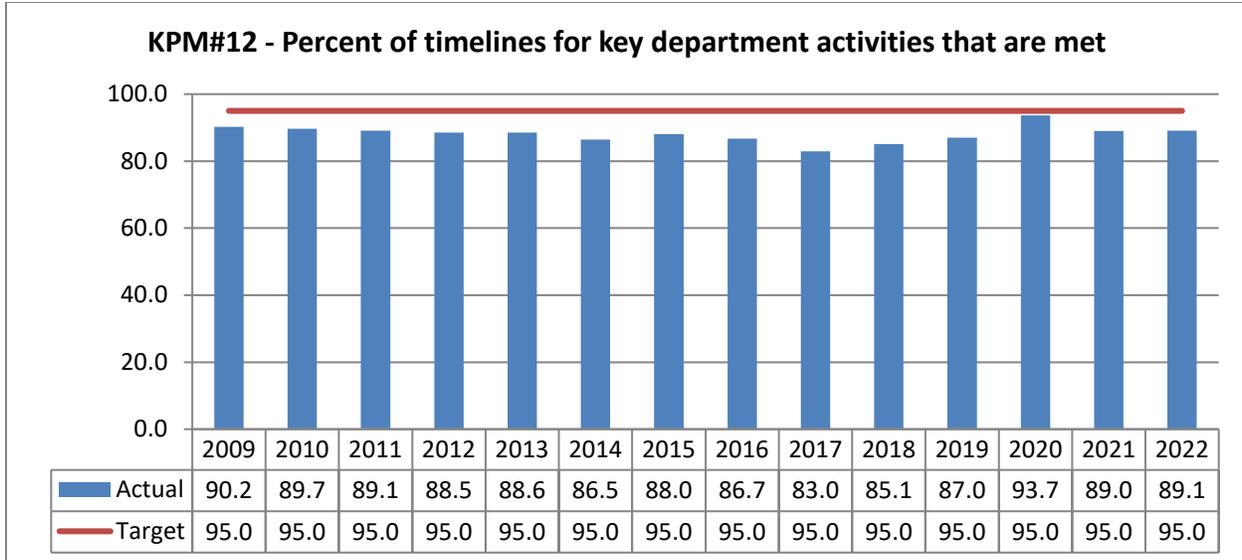
Key performance measure 11 – Number of building permits sold that can be used by contractors in multiple jurisdictions for minor construction work

This measure demonstrates progress towards the Building Codes Division’s goal of providing contractors with a quicker, cheaper and more simple process for permit applications on minor construction activity that is consistent statewide. The goal is a number higher than the target.



Key performance measure 12 – Percent of timelines for key department activities that are met

This measure demonstrates DCBS' commitment to timely and efficient service to customers as reflected in responsiveness of staff as they carry out key department activities. The goal is a number higher than the target.



Key performance measure 13 – Percent of customer transactions completed electronically

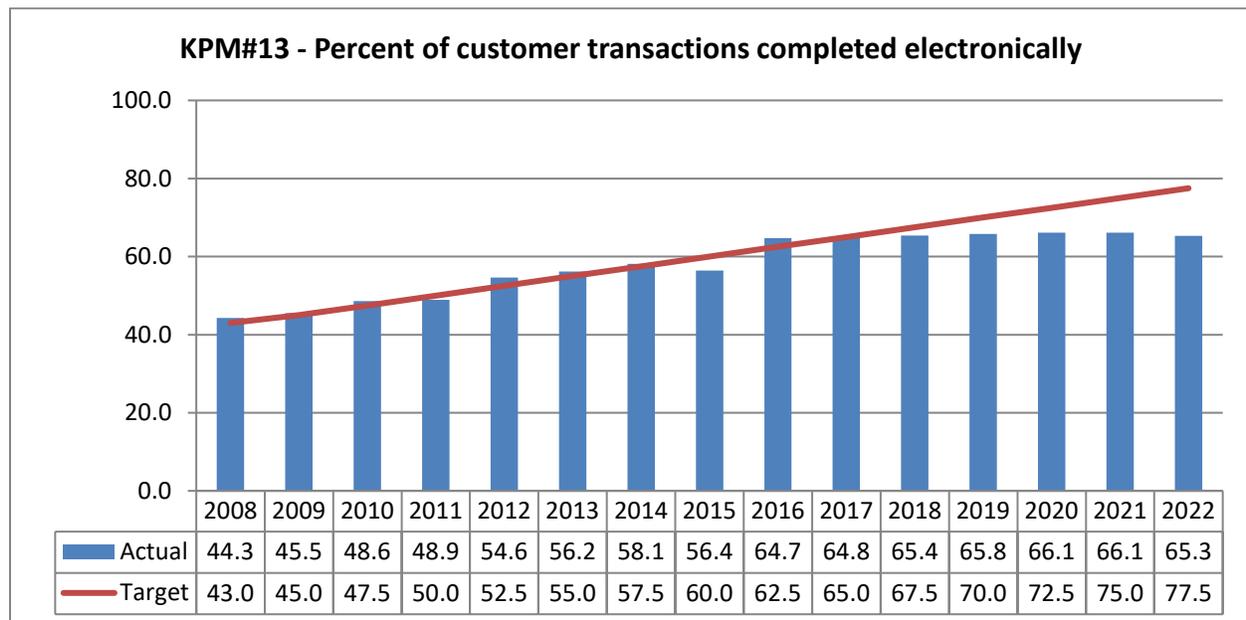
This is an unweighted average across all DCBS divisions. Some divisions are better positioned to accept electronic transactions, while others are not. The goal is a number higher than the target.

There are more than 100 data systems counted in this measure with more added each year. New systems that come online are likely to be oriented to accepting electronic transactions, but our many legacy systems cannot easily make the transition. The target goes up by 2.5 percentage points a year. With the legacy systems in place, this increase makes it increasingly difficult to achieve compliance with this measure's target. Changes to these legacy systems require significant amounts of time and money and in some cases barriers to conversion are statute based.

The plateau in numbers is caused by these legacy systems, not new systems. When the measure was created, there was a different mentality about accepting electronic transactions. Now, all new systems are designed by default to accept them.

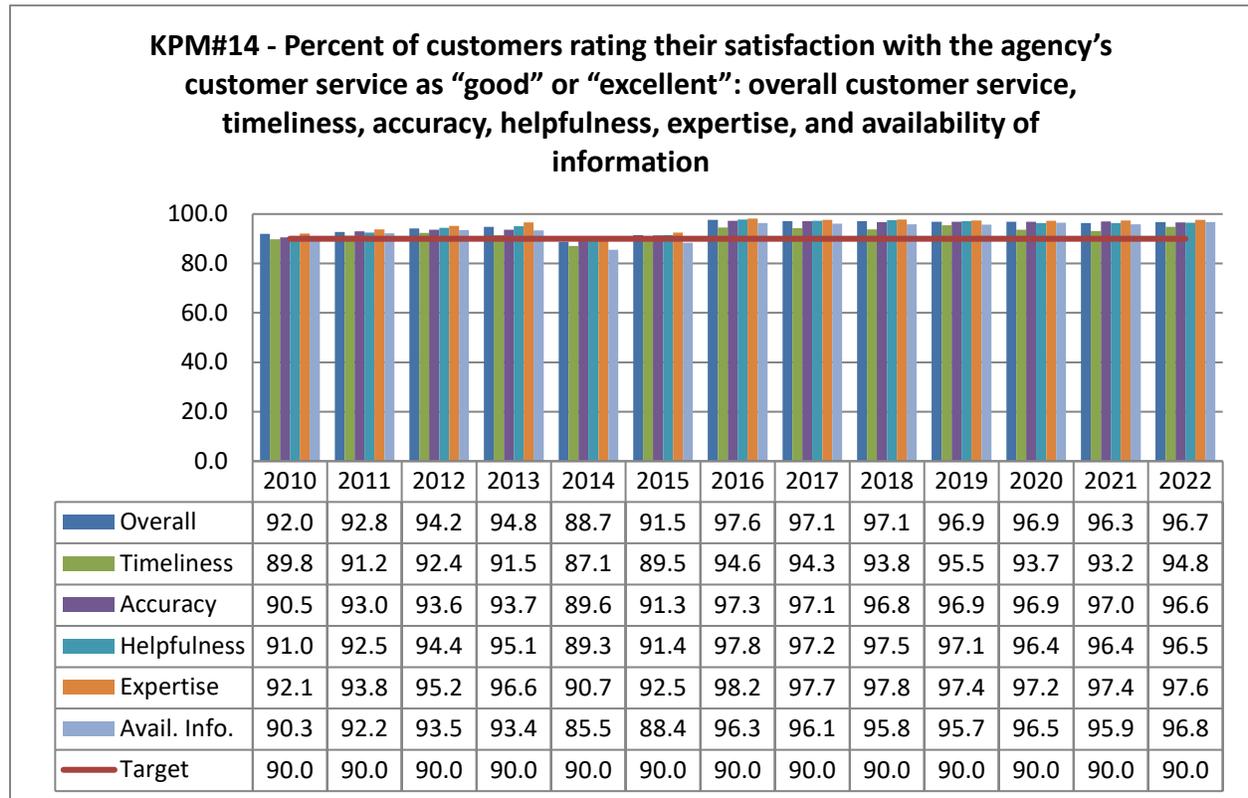
Legacy systems that rely heavily on physical transactions include:

- Premium assessment reporting in the Central Services Division
- Manufactured structures in the Building Codes Division
- Request for hearings at the Workers' Compensation Board
- Workers' compensation claims in the Workers' Compensation Division



Key performance measure 14 – 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

This measure demonstrates the DCBS commitment to timely and efficient service to customers as reflected in responsiveness of staff as they carry out key department activities. The goal is a number higher than the target.



DCBS leadership



**Andrew Stolfi, Director and
Oregon Insurance Commissioner**



**Sean O'Day
Deputy Director**

Consumer protection and safety



**TK Keen, Administrator,
Division of Financial
Regulation**



**Alana Cox, Administrator,
Building Codes Division**

Worker protection system



**Sally Coen, Administrator,
Workers' Compensation
Division**



**Renée Stapleton, Administrator,
Oregon OSHA**



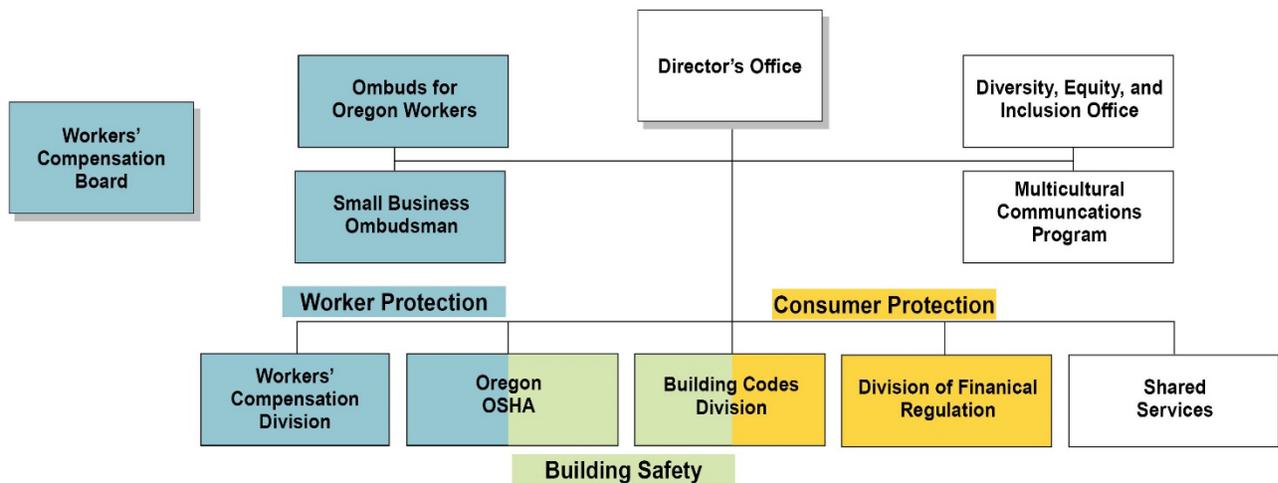
**Connie Wold, Chairperson,
Workers' Compensation
Board**

DCBS organization chart

Within DCBS, it is helpful to think of three areas of consumer and business protection.

- **Worker protection**, including the Workers' Compensation Division, Oregon OSHA, and the Workers' Compensation Board.
- **Consumer protection**, including the Building Codes Division and the Division of Financial Regulation.
- **Building safety**, including the Building Codes Division and Oregon OSHA.

The organizational chart below details our divisions and their connection to the three work areas.



What we do at DCBS

License, charter, and examine

DCBS provides licenses and charters, and conducts examinations in a number of different fields, including:

- Securities broker dealers, investment advisors, and insurance companies and agents
- Banks, trusts, credit unions, mortgage bankers, brokers, and loan originators, mortgage loan servicers, and student loan servicers
- Payday lenders, consumer finance companies, pawnbrokers, and check cashing businesses
- Building trades workers and state and local building code inspectors
- Worker leasing companies
- Pharmacy benefit managers and pharmaceutical representatives
- Self-insured employers in workers' compensation

In August 2020, the Building Codes Division and the Electrical and Elevator Board created a reciprocal agreement between Oregon and Washington allowing general journey-level electricians who have obtained a license in one state to apply for a license in the other state without having to take an examination for the reciprocal license under certain conditions.

In July 2022, the Building Codes Division and the State Plumbing Board adopted new journeyman plumber license qualifications, creating a path for additional out-of-state plumbers to qualify to take the Oregon exam and become licensed in Oregon. Both of these changes recognize the increasingly mobile workforce, and will help attract more qualified plumbers and electricians to Oregon.

Set and enforce standards

DCBS sets standards and enforces those standards that affect consumers and businesses in many fields, including:

- Securities, mortgage lending, and other consumer finance
- Workplace deaths/injuries, prevention, and insurance benefits
- Worksites for safety/health
- Insurance companies/agents
- Building construction standards
- Employer coverage and self-insurance in workers' compensation

Educate and advocate

Providing information, education, and advocacy is how we actively work to keep Oregonians safe, to help them thrive, avoid harm, and connect with health insurance or Medicare counseling. Examples include:

- Workplace safety workshops and virtual training opportunities
- Education for investors and homebuyers seeking mortgages
- Partnerships for preventing elder financial abuse, exploitation
- Insurance hotline; appeals help for claim denials and delays
- Small business workers' compensation and Oregon worker advocacy
- Education and outreach about various types of insurance and other financial services
- Public education on building code, licensing, and permitting standards; inspector training



DCBS divisions

Division of Financial Regulation

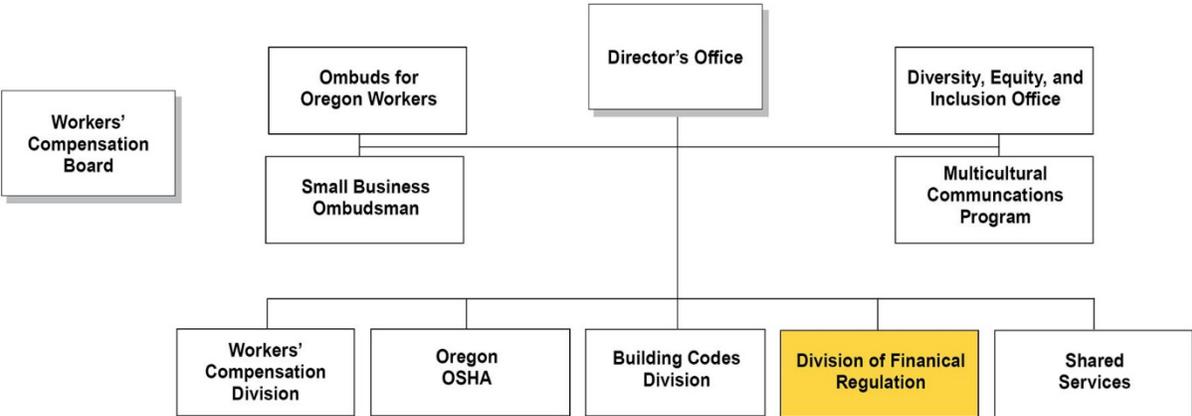
The Division of Financial Regulation (DFR) recovered more than \$8.6 million for consumers, and received 13,835 phone calls and inquiries in 2022. The division anticipates \$167.7 million in transfers to the General Fund for 2023-25.

The division ensures that:

- Insurance companies, banks, and credit unions are financially sound
- Oregonians are treated fairly as policyholders and beneficiaries
- All financial, insurance, and mortgage professionals are held to high standards
- Rates are reasonable in relation to the benefits provided by an insurance policy



DCBS organization chart



About the Division of Financial Regulation

The Division of Financial Regulation protects consumers by monitoring the financial soundness of institutions and insurance companies. We also provide statewide consumer education and assistance focusing on financial literacy, home ownership, disaster preparedness, and scam prevention.

These are areas that can affect the financial future of all Oregonians, and these are also important issues of equity. There is a disparity in generational wealth, home ownership, adequate insurance coverage, and use of banking and saving products for underrepresented and underserved communities in Oregon. Our consumer education and assistance efforts acknowledge the need to address these disparities through conscientious and appropriate outreach to underrepresented and underserved communities. We also evaluate the processes used by those we regulate to look for ways to bring greater equity into banking, lending, investment, and insurance processes.

The division also works on regulatory streamlining to simplify licensing and examinations processes in the state. Through the Oregon Reinsurance Program, the division has continued to help the health insurance industry keep individual health plan premium rates lower than if the program did not exist. The division has also continued implementation of the Prescription Drug Price Transparency Program by reviewing reports on prescription drug price increases. Another way that we support Oregonians is by deterrence of financial abuse through strong enforcement efforts.

Sponsorship Program

The division has launched an innovative sponsorship program for organizations that engage in financial empowerment work. The sponsorship contracts are intended to help consumers in underserved communities gain increased awareness of DFR's services and resources and develop the capacity to make good decisions about insurance and financial services.

In its inaugural year of 2023, the five organizations receiving \$25,000 sponsorship contracts are:

- **Bienestar**, based in Washington County, which builds housing, hope, and community for the well-being of Latinx, immigrants, and all families in need.
- **Bradley Angle** in Multnomah County, which serves all people affected by domestic violence. About 80 percent of its participants identify as being Black, Indigenous, and people of color, with more than half identifying as Black/African American.
- **Centro Cultural**, a home for Latino cultures, serves the needs of its diverse community by promoting personal growth and empowerment.
- **Nixyáawii Community Financial Services (NCFS)**, which serves the Confederated Tribes of the Umatilla Indian Reservation. NCFS' mission is to improve the financial well-being of individuals and families in the Umatilla Indian Reservation Community through loans and development services.
- **Warm Springs Community Action Team (WSCAT)**, which serves the Warm Springs Indian Reservation and the Burns Paiute Tribe. WSCAT's mission is to promote community development in Warm Springs by empowering individuals and groups to realize their potential, become self-reliant, and effect positive change for themselves, their families, and their community.

Prescription Drug Affordability Board

Senate Bill 844 (2021) created the Prescription Drug Affordability Board (PDAB) to evaluate the cost of prescription drugs and determine whether they present an affordability challenge to consumers and health systems in Oregon. PDAB's review will inform rulemaking criteria for evaluating drugs, including health inequities in diverse communities, the number of Oregon residents prescribed the drug, the price of the drug in Oregon, and other criteria required by law. The board studies the entire prescription drug distribution and payment system in Oregon and the generic drug market and provided recommendations to the Legislature.

Wildfires response

In response to wildfires, the Division of Financial Regulation issued emergency orders to protect consumers by requiring insurers to provide relief to those affected. The division issued a bulletin in August 2022 to extend the rebuilding time limit for active claims from the 2020 Labor Day wildfires to Sept. 30, 2023.

Our protocol is to conduct field work in response to wildfires, and we have done so in the wake of the 2020, 2021, and 2022 wildfires. Outreach team members from the division were in the field within days to answer consumer questions at wildfire evacuation sites. After wildfires, DFR held virtual town-hall meetings about the claims process, rebuilding process, insurance scams, and the importance of flood insurance after a wildfire. The Building Codes Division and DFR partnered to create materials to help people access manufactured home ownership documents. DFR continues to provide ongoing support for consumer questions and complaints.

Policy option packages

Oregon Reinsurance Program

Policy Option Package No. 102

0 positions, 0.00 FTE, \$221,920,000 other funds and federal funds

- The Oregon Reinsurance Program was established in 2017 to stabilize rates and premiums for individual health benefit plans and provide greater financial certainty to health insurance consumers in Oregon.
- Target individual market rate decrease of 6 percent.

Information Systems Examiners

Policy Option Package No. 103

1 position, 0.88 FTE, \$262,175 other funds

- DFR conducts IT examinations of regulated banks, credit unions, and insurance institutions. Exams take up 4,760 hours of IT exam work per year.
- The division currently has two dedicated IT examiners. DFR requests one more information systems specialist 7 to attract qualified staff members to perform IT exams under the cycle required to maintain NAIC accreditation.

Non-Depository Licensing

Policy Option Package No. 104

2 positions, 1.76 FTE, \$410,036 other funds

- DFR regulates a wide variety of non-depository (NDP) entities.
- NDP licensing has increased by 75 percent since 2016.
- The desired processing time to process NDP licenses ranges from 14 to 30 days.
- The current processing time has increased to approximately 21 to 70 days.
- To achieve and maintain desired processing times to effectively serve our licensees, DFR requests one financial examiner 1 and one financial examiner 2.

**Insurance Institutions Section
Policy Option Package No. 105**

1 position, 0.88 FTE, \$252,607 other funds

- Insurance Institutions section analysts review annual and quarterly financial filings of Oregon insurers to ensure solvency of Oregon’s 41 domestic insurers.
- This work must be subject to “in-depth and challenging review” by a “senior level analyst” within “two to three weeks of the completion of the original analysis” per NAIC accreditation standards.
- DFR has one senior level analyst – insufficient to complete the reviews as required.
- DFR requests one operations and policy analyst 3 to function as a second senior financial analyst.

**Prescription Drug Affordability Board
Policy Option Package No. 106**

8 positions, 8.00 FTE, \$2,970,125 other funds

- The program was established in the 2021-23 biennium.
- This policy option package documents the shift from General Fund revenue to Other Funds revenue to fund the program.
- Funding for the program is derived from fees assessed against manufacturers of prescription drug products sold in Oregon.

**Consumer Education Advocacy
Policy Option Package No. 107**

3 positions, 2.64 FTE, \$695,825 other funds

- The Consumer Education and Advocacy team is the face of the division to Oregon consumers, answering inquiries and working directly with regulated entities to help resolve complaints and issues.
- Complaint work is becoming more time consuming and complex, leading to increased service lead times.
- DFR requests one compliance and regulatory manager 2 and two program analyst 2 to address increasing workload and unsustainable manager-to-staff ratio (1:21).

Serving consumers

A breakdown (2020 to 2022) of the services provided by the Division of Financial Regulation.

Calendar year	Consumer complaints resolved	Amount of recovered benefits	Phone calls and inquiries	Investigations	Enforcement actions
2020	3,749	\$3,082,296	13,684	217	110
2021	3,725	\$7,659,067	13,405	165	115
2022	4,393	\$8,633,345	13,835	220	100

Charters, licensees, and registrants

An overview of the charters, licenses, and registrations, and exams issued by the Division of Financial Regulation in 2022.

	Total as of 12/31/22	Complaints CY 2022	Exams CY 2022
Insurance companies (41 domestic)	1,587	3,477	10
Insurance producers (salespersons)	185,384		N/A
Banks and trusts	15	84	15
Credit unions	20	145	17
Mortgage lenders	1,173	281	41
Loan originators	13,879		N/A
Mortgage servicers	226		5
Securities investment advisors / broker dealers	3,862	66	50
Securities sales representatives	190,132		
Student loan servicers	27	21	2
Other programs (including payday/title, pawnbrokers, collection agencies)	5,541	193	194

Building Codes Division

About the Building Codes Division

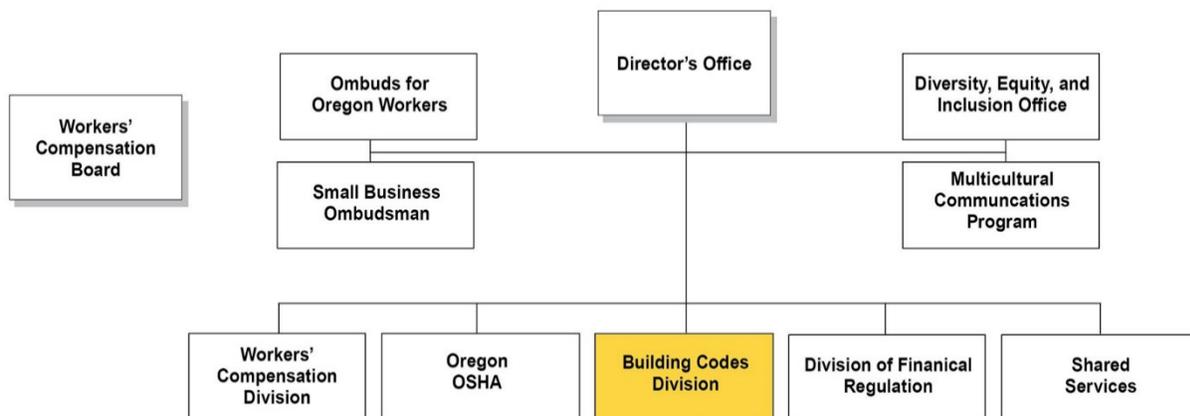
The Building Codes Division (BCD) adopts and enforces uniform building codes for Oregon, and resolves code disputes.

BCD provides local government assistance, licensure for building trades workers and businesses, as well as training and certifying inspectors.

For local entities that do not have a building department, BCD provides those services.

Creating the foundation for affordable, safe, and efficient buildings in Oregon

DCBS organization chart



Who we serve

- 127 local building departments, including 80 where BCD provides full ePermitting services
- Eight counties where BCD provides full or partial inspection services
- 30,869 licensed individuals (plumbing, electrical, boiler, and elevator) and 2,302 certified building officials, plans examiners, and building inspectors
- Seven governor appointed, senate confirmed advisory boards, consisting of 54 board members representing diverse communities and interest areas across the state

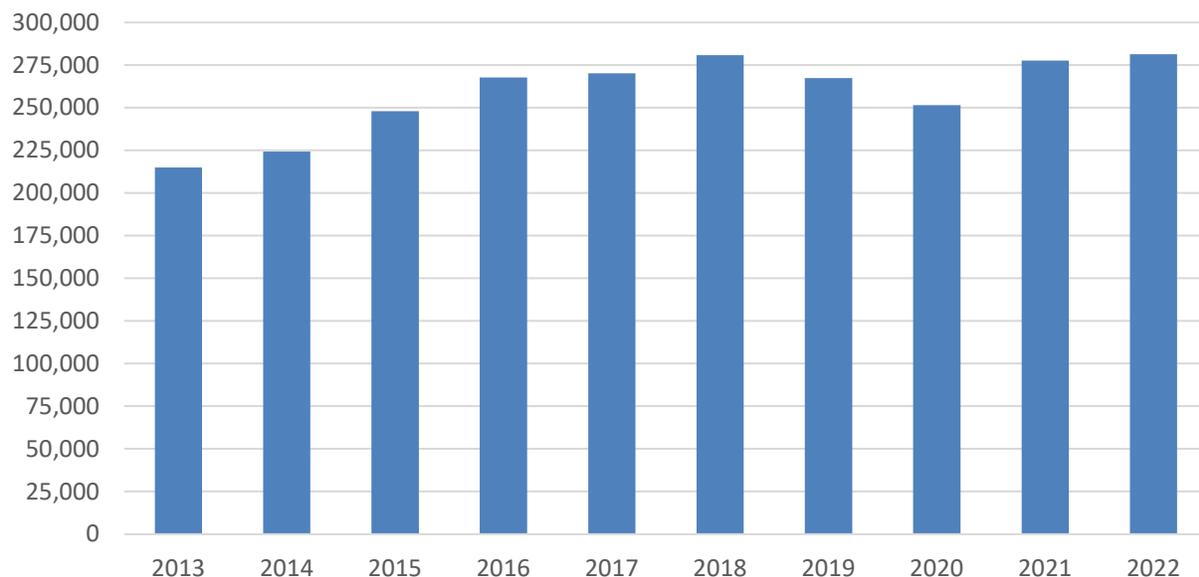
Government partnerships

The division partners with local governments on local code administration and enforcement. It also collaborates with several state agencies, including work on energy efficiency initiatives with the Oregon Department of Energy, licensing and enforcement coordination with the Construction Contractors Board, and coordination on fire life safety issues with the Office of the State Fire Marshal:

- City and county building departments
 - Local code administration, seats on multiple boards
 - Administration of the fire hardening grant program for wildfire survivors
 - ePermitting program
- Oregon Department of Energy
 - Energy code adoption, Executive Order 17-20 and 20-04 implementation, seat on Construction Industry Energy Board
- Construction Contractors Board
 - Joint enforcement efforts, contractor licensing
- Office of the State Fire Marshal
 - Fire Code and Building Code coordination, fire official representation on Building Codes Structures Board
- Tribal governments
 - Provide courtesy inspections and consultation to Oregon tribes when requested

Statewide building permits issued per fiscal year

Statewide building permits issued per fiscal year

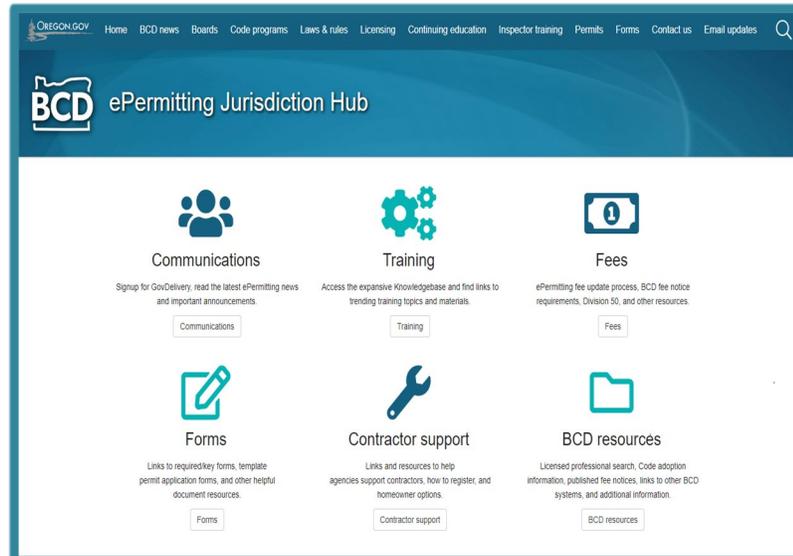


Source: Local government surcharge reports as reported to the state by local jurisdictions.

Using innovation, technology, and flexibility to serve

BCD ePermitting program

The Building Codes Division has continued to implement the ePermitting program. Oregon ePermitting has partnered with more than 80 cities and counties to provide a full range of online building services, including permit applications, electronic construction document review, online payments and scheduling inspections.



Virtual inspections

The Building Codes Division created innovative mobile apps for inspectors, contractors, and homeowners. The apps allow inspectors to direct message the contractors with status updates about inspections, request photo uploads, and perform live video inspections. In addition, the contractors and homeowners can schedule inspections, search for information and message inspectors.

Supporting convenient online services

In 2021, the Legislature passed House Bill 2415, which requires all local building departments to either join ePermitting or have an equivalent system available for their customers by 2025. BCD has been working with local government partners and stakeholders to develop those minimum standards and collect ideas to streamline the online permitting process. In addition to the administrative rules, BCD is developing a best practice guide for electronic processes to help create more statewide consistency in permitting and plan review processes for customers.

Supporting affordable housing

The division works with local governments, stakeholders, and its seven advisory boards to create a consistent and enforceable statewide code, supported by statewide tools like ePermitting, code clarifications, and dispute resolution. By ensuring code consistency, the construction industry is better positioned to accurately bid on projects and timely complete them once construction begins, supporting our goal of increasing housing supply to address the affordable housing crisis.

Supporting adaptive reuse of buildings

The division supports the adaptive reuse of buildings in which existing building stock is modified to be used for a different purpose than its original construction. This tool can help revitalize downtowns and respond to the changing needs of a community. It allows for creativity on the part of the designer, and requires flexibility on the part of the building official, as these projects are each unique. The Building Codes Division has a dedicated staff member to help with adaptive reuse projects to partner with municipalities in improving their communities.

Responsive to emergencies

The division has adapted to a rapidly changing construction landscape during times of natural disasters and a pandemic by finding innovative solutions.

Creating expanded training opportunities

The division has collaborated with partners to expand training opportunities for building officials, inspectors, and plans examiners, growing a diverse talent pipeline to address the workforce shortage and support value added plan review and inspection services.



Ombuds offices

Both the Small Business Ombudsman and the Ombuds for Oregon Workers are part of the Director's Office at the Department of Consumer and Business Services.

The Small Business Ombudsman for Workers' Compensation serves as an independent advocate for small businesses, entrepreneurs, and the professional advisers who serve them.

The Ombuds Office for Oregon Workers is the state office that serves as an independent advocate for workers by helping them understand their rights, benefits, protections, and responsibilities within the workers' compensation system and workplace safety and health laws and rules.



Small Business Ombudsman

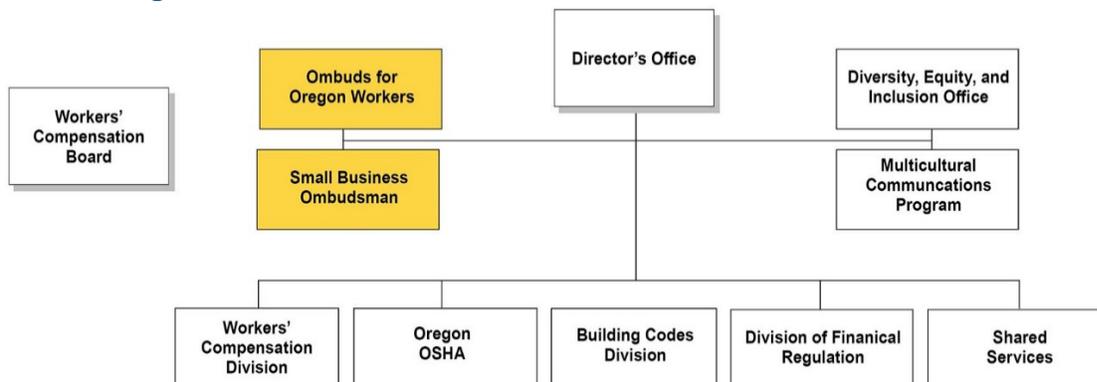
The Small Business Ombudsman answers questions about shopping for workers' compensation insurance, as well as premiums and audits. The Small Business Ombudsman contacted 790 businesses in 2022, with 40 percent of those calls related to buying workers' compensation insurance and 25 percent related to coverage requirements. The Small Business Ombudsman has a 99 percent on-time response rate based on calls returned within 24 hours.

Ombuds for Oregon Workers

The Ombuds Office for Oregon Workers answers questions about worker rights and responsibilities in workers' compensation and workplace safety and health, benefits, and returning to work. In 2022, the Ombuds Office for Oregon Workers responded to 7,350 inquiries.

The monthly average for the Ombuds Office for Oregon Workers is 613 inquiries and 1,178 contacts to resolve inquiries. The office is able to resolve 86 percent of inquiries within two days; of those, 99 percent are resolved within one day, and 77 percent are resolved the same day. The Ombuds Office for Oregon Workers includes team members who speak Spanish. On average, 15 percent of inquiries each month are from non-English speakers; of those, 97 percent are from Spanish speakers.

DCBS organizational chart



Workers' Compensation Division

The workers' compensation system is designed to provide prompt and complete medical treatment, adequate and reasonable income benefits, a fair and just administrative system, self-sufficiency for workers, and a sole and exclusive remedy.

The Workers' Compensation Division has two primary customers, subject employers and subject workers. In 2021, the division supported 134,200 subject employers and 1,908,000 subject workers.

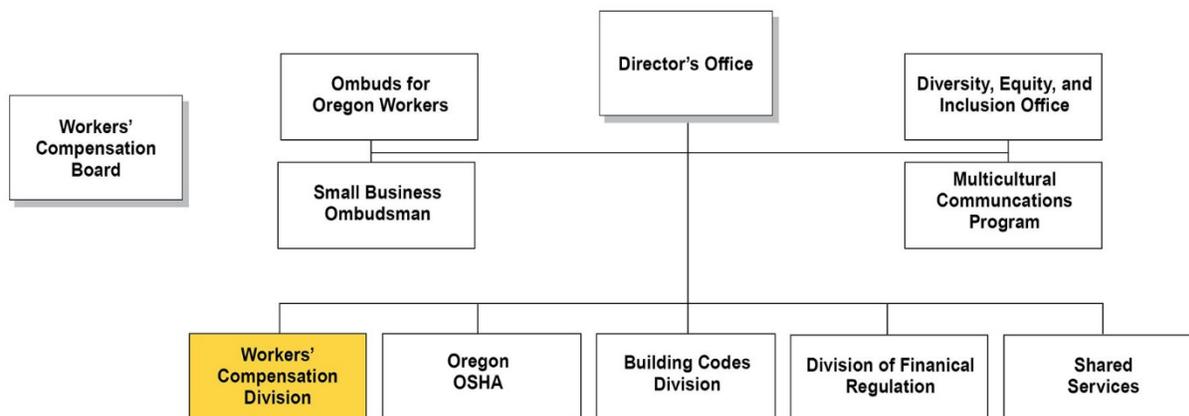
The division also works with insurers, self-insured employers, service companies, medical providers, vocational providers, and attorneys.

To advance a leading workers' compensation system that represents integrity and fairness for Oregonians

To better serve Oregonians, the division has made progress toward modernizing the division's information systems and continued implementing electronic records management to allow more electronic transmission of information where possible.

The division has also expanded outreach to preferred workers, collaborated with employers on return-to-work programs for injured workers, and developed plans for engaging with underrepresented and underserved communities.

DCBS organization chart



System success

The workers' compensation system has existed since 1914. Though changes have been made since then, the system today still reflects the original agreement between management and labor to maintain a no-fault system for workplace injuries.

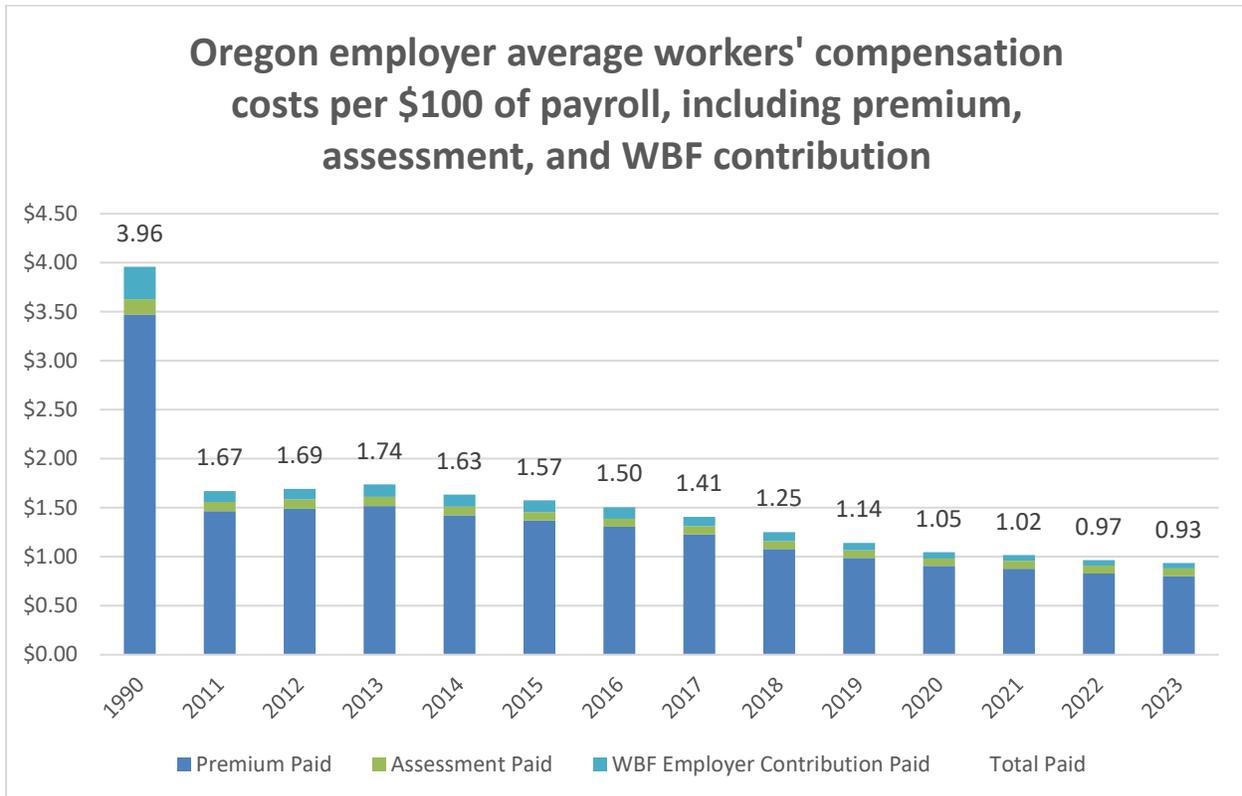
Today's system has affordability for employers and good benefits and outcomes for workers. The Oregon model has been so successful that it has been studied and emulated by other states.

Workers' compensation system – nationwide rate ranking

Efforts to achieve system balance have been made over the past few decades. Comparing Oregon's rate rankings from 1986 to now, Oregon employers went from having the sixth highest cost nationwide in 1986 to the 10th lowest cost in 2022.



Workers' compensation system employer costs



Workers' compensation costs for employers include a base pure premium, insurer administrative costs and profit, premium assessment, and Workers' Benefit Fund assessment. Individual employers may have different costs based on their choice of insurer and their individual experience rating.

The chart shows average employer costs paid per \$100 of payroll including premium and assessments.

Worker benefits

Oregon's workers' compensation benefits are strong and most worker benefits adjust with changes in Oregon's wages. There is stakeholder support for discussing incremental improvements in benefits. Also, return-to-work programs help workers get back to work quickly and safely.

Return-to-work programs

Oregon's return to work programs provide resources to help workers who have been injured on the job, including assistive devices and training to return to their job post-injury or find a path to a new career.

Workers who use these programs have a higher post-injury employment rate and better wage recovery than those who do not use the programs.

In 2021, return-to-work programs helped more than 8,500 workers. Employers benefit by retaining a valuable workforce and reducing claim costs.

Management-Labor Advisory Committee

Created in the early 1990s as part of state workers' compensation system reforms, the Management-Labor Advisory Committee (MLAC) is an effective forum for employees and employers to explore and resolve issues.

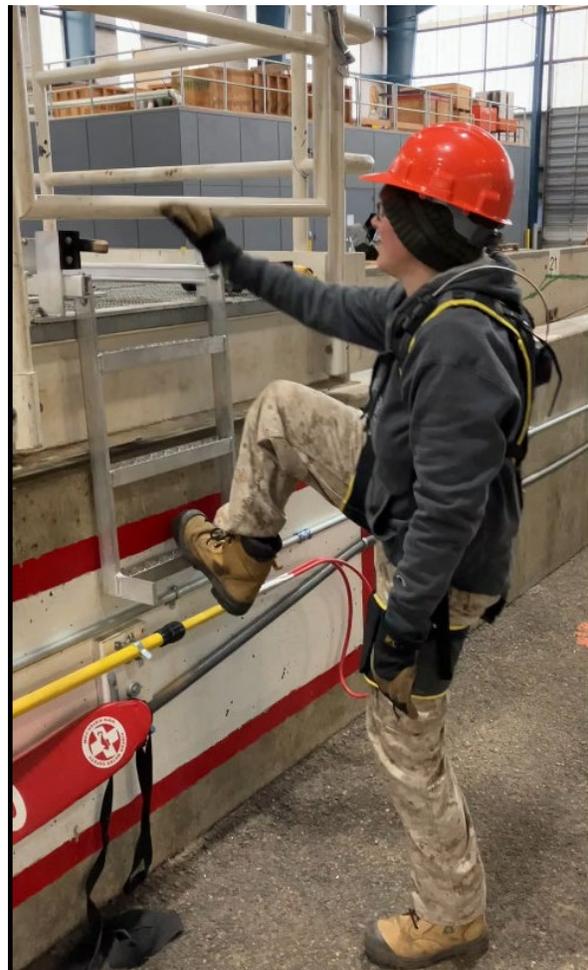
The committee shares a commitment to a common set of values, including balance and fairness, adequacy of benefits, affordability, efficiency, stability, and flexibility.

Policy option package

Workers' Compensation Modernization Policy Option Package No. 101

3 positions, 2.50 FTE, \$6,576,981 other funds

- Continue to improve business processes and technology to better serve customers
- Support the request for proposal to initiate core system foundation project
 - IT professional contracted services
 - Quality assurance (iQMS) contracted services
- Make limited duration project management and change management positions permanent; add a system tester in 2024



The Preferred Worker Program helped Rebekah Miller return to her job after a serious injury.

Oregon Occupational Safety and Health Division

About Oregon OSHA

Oregon OSHA inspect workplaces, helps employers identify and eliminate hazards, and investigates workplace fatalities and accidents.

Focus areas

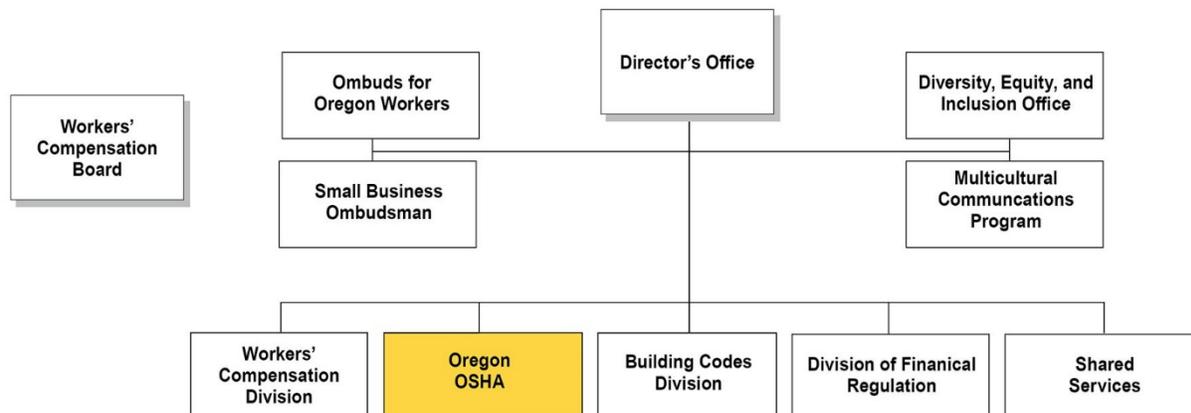
Oregon OSHA's enforcement focus is on complaints and high-hazard industries and occupations while balancing regularly scheduled inspections with several emphasis programs to address key occupational risks and industries across the state. Oregon OSHA consistently achieves one of the highest employer inspection penetration rates in the country and continues to make occupational safety and health easier to understand by providing on-site technical assistance, multilingual publications, and engaging outreach materials.



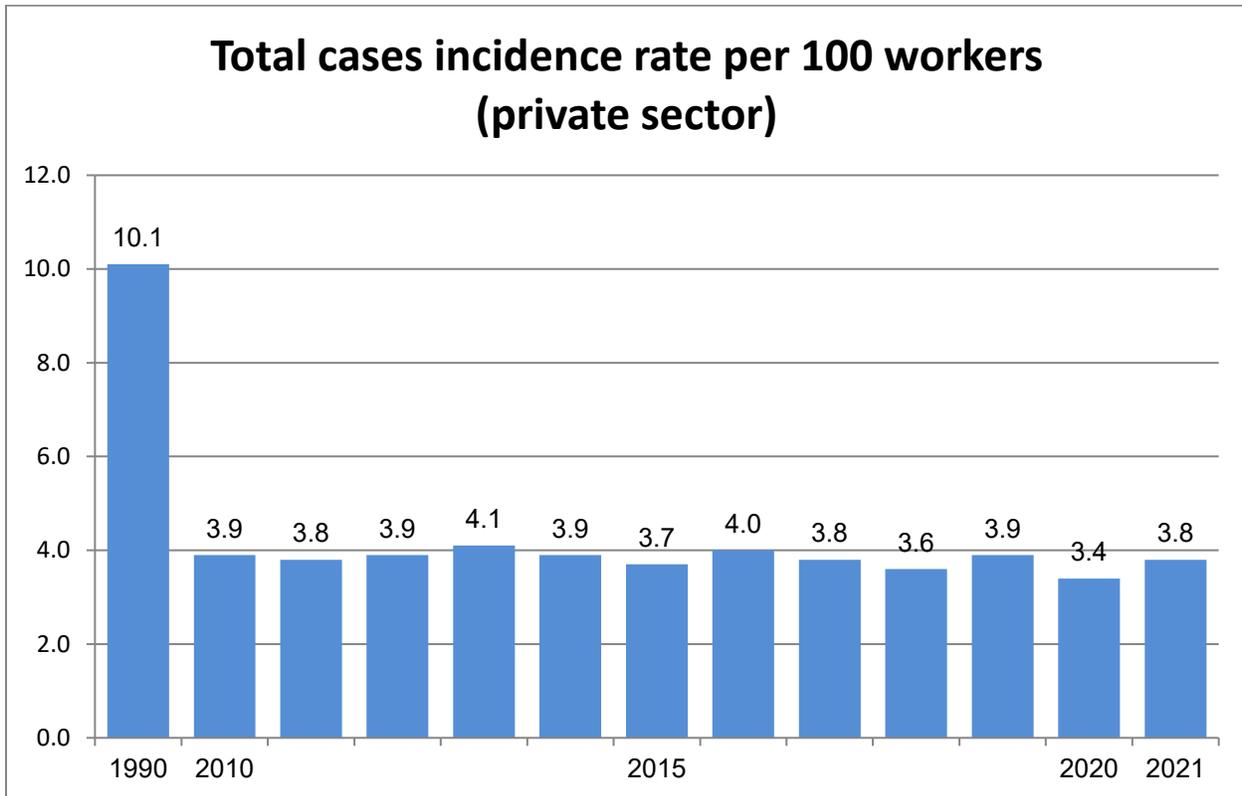
The division focuses on education for small employers and directs its outreach activities towards vulnerable, underserved, and hard-to-reach workers. Oregon OSHA uses a variety of communication approaches to highlight and address significant workplace hazards as well as share best practices or lessons learned. These channels include social media posts, press releases, and free multilingual in-person and online trainings.

Oregon OSHA maintains stakeholder relationships through involvement in rulemaking, policy development, and ongoing advisory groups.

DCBS organization chart



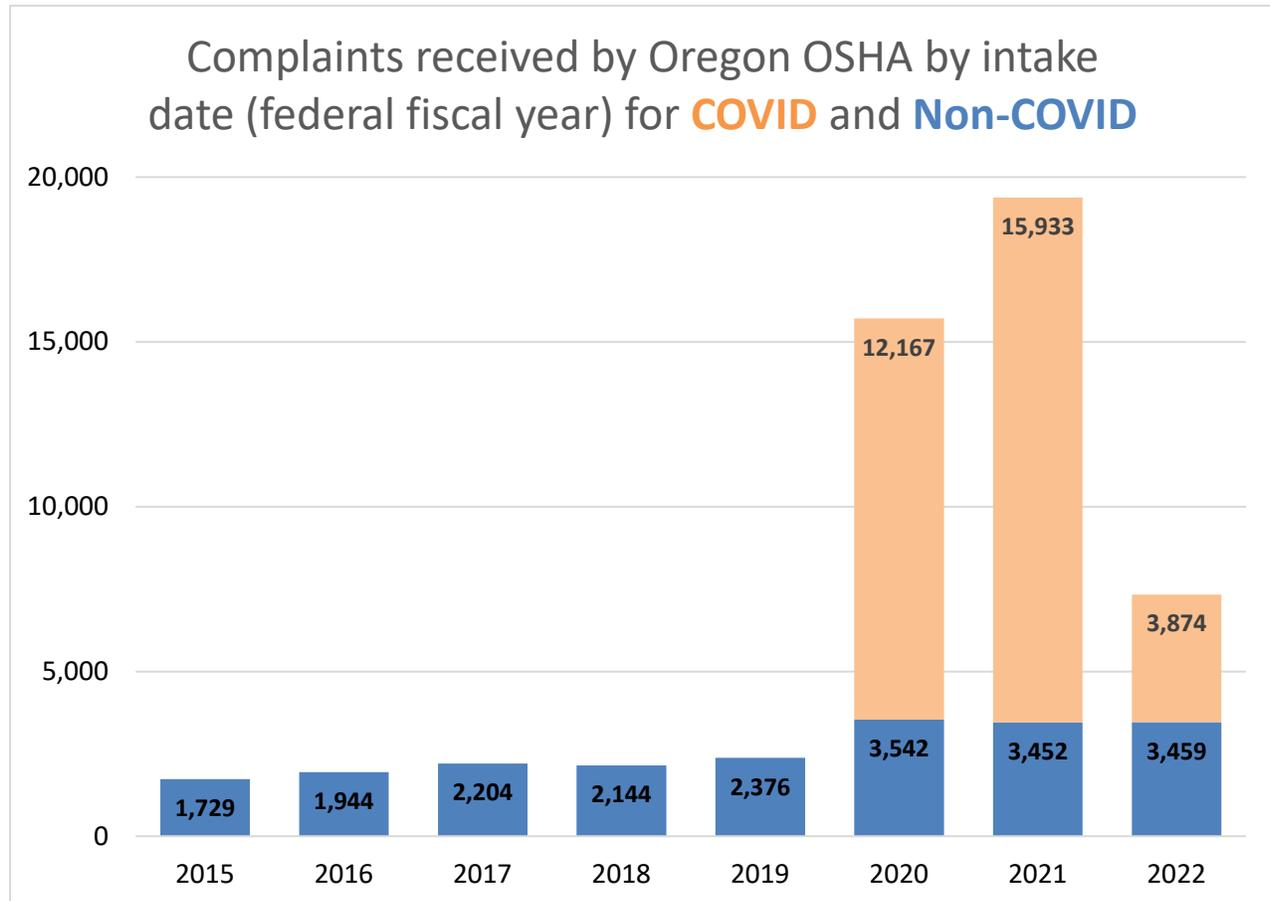
Occupational injury and illness incidence rates



Fatality rates



Complaints



Appealed case backlog and impact on customer service related to contested cases and associated DOJ costs

Oregon OSHA anticipates continued increases in delays and higher Department of Justice costs in the 2023-25 biennium due to issues caused by COVID-19, including office closures, remote hearings processes, and the resulting increased backlog of appealed cases.

Policy option packages

Community Engagement

Policy Option Package No. 108

1 position, 0.88 FTE, \$665,074 other funds

- Establishes one permanent community engagement coordinator
- Position engages with underserved communities, identifies barriers, and develops/implements improvement efforts
- Package also adds resources for improved access to services (increases translated materials; expands bilingual staff)

**Occupational Safety and Health Lab
Policy Option Package No. 118**

0 positions, 0.00 FTE, \$799,891 other funds

- The North Valley Complex (NVC) is a new statewide investment in state laboratory infrastructure and resiliency
- Oregon OSHA's lab will relocate from its current space (Commission for the Blind), where the lease is ending and cannot be renewed, to the NVC lab in Wilsonville
- Package includes rent increases and moving costs

Workers' Compensation Board

About the Workers' Compensation Board

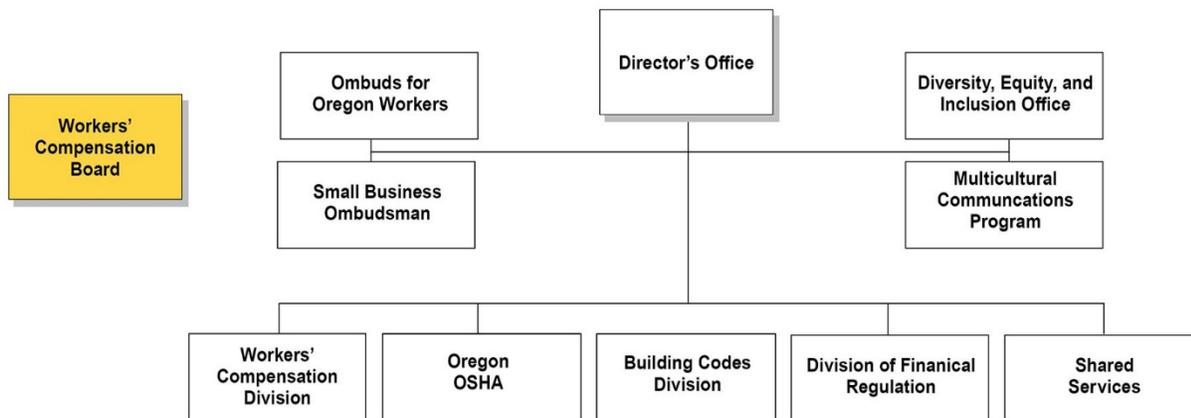
The Workers' Compensation Board (WCB) is an independent agency created by the Oregon Legislature to provide timely and impartial resolution of disputes arising under the Oregon workers' compensation law and the Oregon Safe Employment Act. DCBS hosts the board and provides IT, human resources, and fiscal support.

When a workers' compensation claim or Oregon OSHA citation is disputed in Oregon, it comes to the Workers' Compensation Board. Through a hearing, appeal or a mediation, we help to resolve these disputes.

The board is committed to providing an impartial, accessible, fair, and timely process for all.



DCBS organization chart



How we are supporting Oregonians

- Provide timely and impartial dispute resolution of cases arising under workers' compensation and safety laws
- Conduct hearings throughout Oregon to serve stakeholders in their home counties
- Ensure access to justice for all users of our forum
- Mediate complex disputes to achieve settlements without litigation
- Broaden electronic access to Workers' Compensation Board services by expanding services offered through the electronic portal and website

Administrative law judges and board members

The administrative law judges at the Workers' Compensation Board hold due process hearings of workers' compensation and Oregon OSHA disputes, and also provide mediation services. The board members provide appellate review of administrative law judges decisions, approve claim disposition agreements, and exercise their own motion jurisdiction.

Timely resolution of disputes

The board emphasizes timely rulings and robust mediations to provide solutions and answers for Oregonians. In order to provide timely resolution, the board works to ensure that Oregonians get to a hearing quickly.

Following the hearing, the board's administrative law judges will issue a decision within 30 days (98 percent of all cases). The board's voluntary mediation program results in a settlement 99 percent of the time. Many of the mediations include other issues, such as employment disputes and civil actions, which are settled in a comprehensive manner. Mediations provide significant savings for all parties involved by reducing litigation. For cases on appeal to the board, 92 percent of the board's decisions issue within 120 days. The board maintained productivity and consistency of dispute resolution throughout the pandemic.

Access to justice for all Oregonians

Interpreters provided at no cost for hearings and mediations

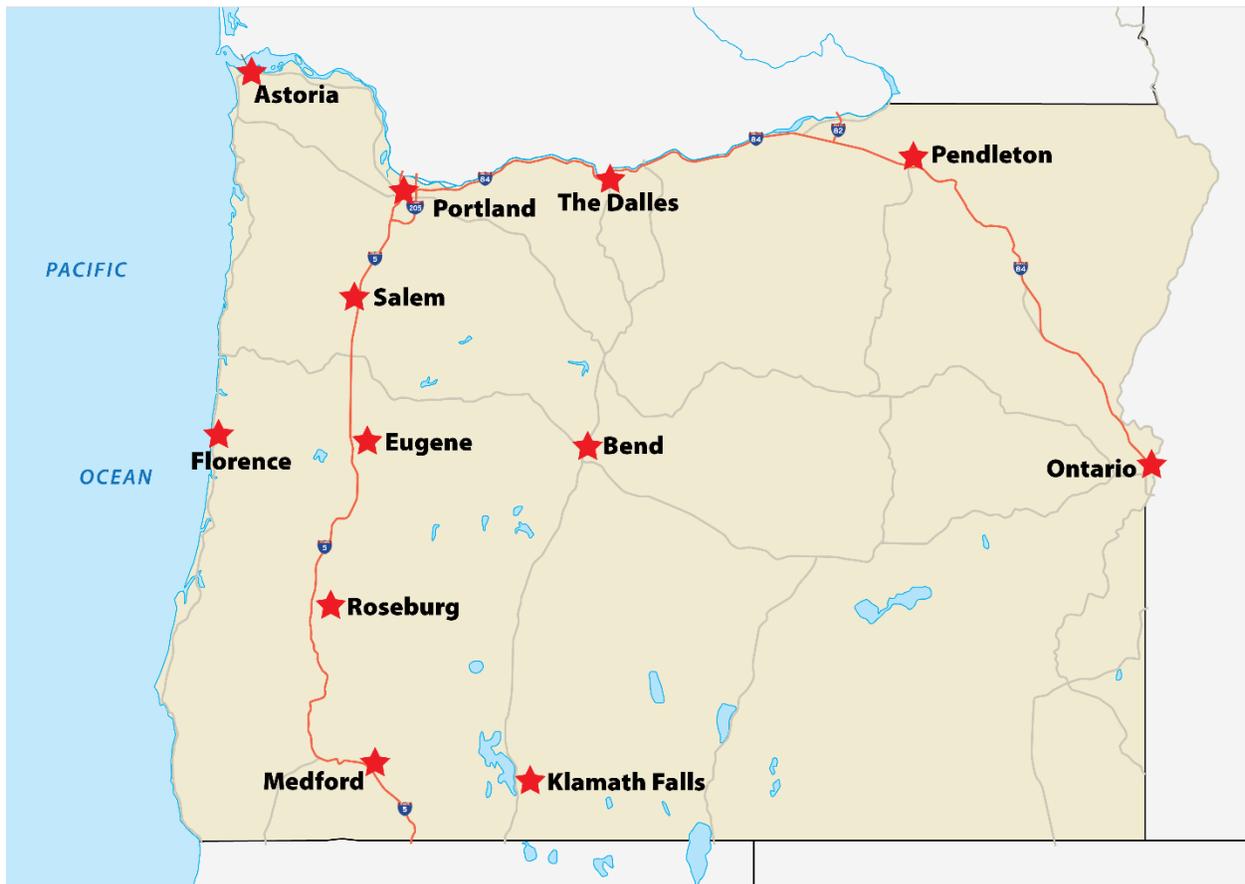
The Workers' Compensation Board provides equitable access to justice by providing interpreters and disability accommodations at no cost to the parties. At a hearing or mediation, all parties need to understand their rights and responsibilities, and have a fair opportunity to participate in the presentation of their case.

The board's interpreter program has more than 30 languages available, plus special dialects. Interpreter usage continues to increase, with more than 1,560 requests in 2022. Special accommodations are also provided to ensure complete access to WCB services. The administrative law judges, board members and staff participate in ongoing training on diversity and inclusion.

Hearing locations

Another way the board provides access to all Oregonians is by doing in-person hearings and mediations set in the location of the injured worker. The board has hearing locations in Klamath Falls, Medford, Roseburg, Florence, Eugene, Bend, Ontario, Newport, Salem, Portland, Astoria, The Dalles, and Pendleton.

During the pandemic, the board suspended in-person proceedings and pivoted to telephonic and videoconferencing; in 2022, in response to stakeholder feedback, when the board re-opened for in-person events, we retained the option, case-by-case, for parties to choose telephonic or videoconferencing instead. Workers' compensation can be a complex subject, but the board works to remove barriers to justice for all parties, whether it be language, location, safety during a pandemic, or adapting to new forms of public participation.



Response to COVID-19 pandemic

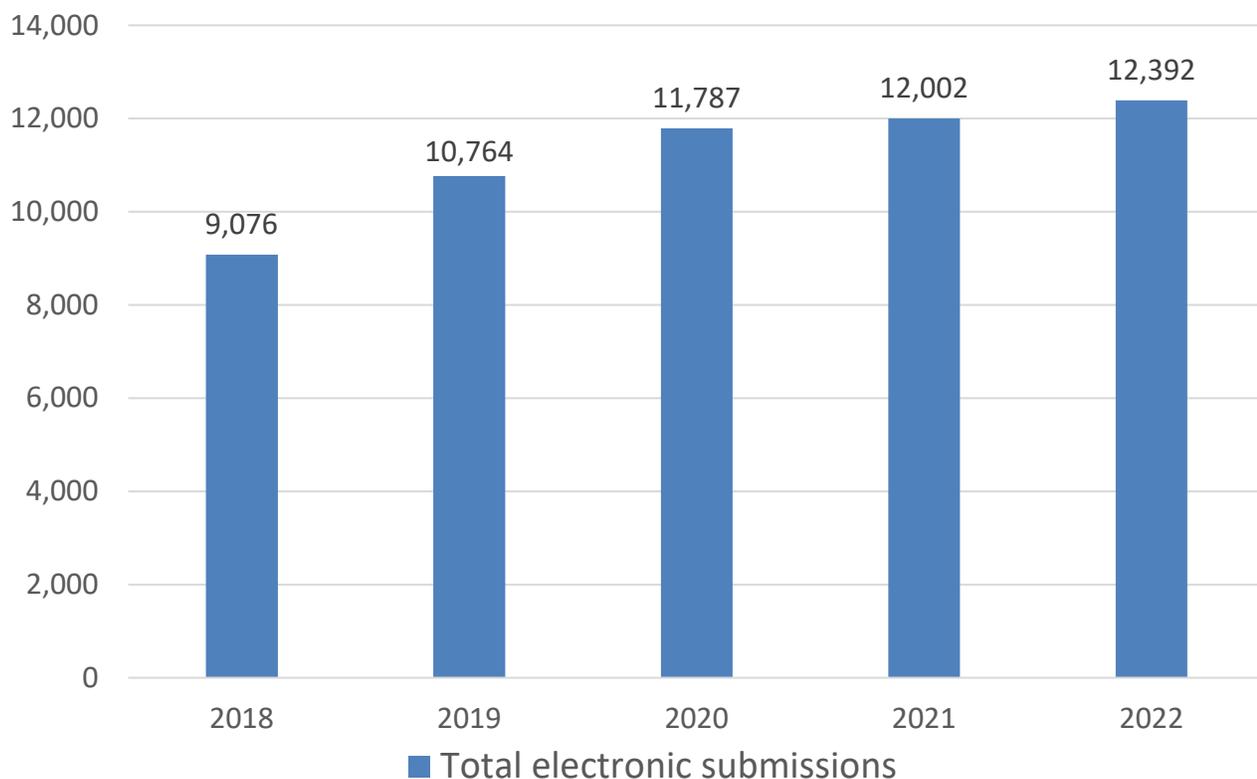
- Suspended in-person hearings March 2020; began telephonic hearings/mediations April 2020
- Shifted to fully remote public board meetings
- Implemented electronic submission of hearing exhibits in April 2020 to reduce paper handling
- Enabled videoconference hearings and mediations in September 2020
- Surveyed stakeholders, assessed best practices, and created processes for keeping remote options available in preparation for re-opening to in-person events 2021-2022
- Re-opened in May 2022 for in-person hearing events and public board meetings while retaining remote access

Equipped all WCB hearing locations for resumption of in-person hearings:

- Portable HEPA filters
- Personal protective equipment
- Social distancing
- Sanitation procedures

Workers' Compensation Board portal activity – 2018 to 2022

The board's online web portal streamlines the process for accessing WCB's programs, including requests for hearing and review, submission of settlements, and legal pleadings, and provides 24-hour access to case information. The use of the portal continues to increase every year.



Agency financial overview

Budget drivers, risks, environmental factors

Factors the agency takes into consideration when evaluating our budget drivers and risk include:

- **The economy** is a key factor that must be considered when evaluating budget drivers and risk. The department's revenues are directly tied to changes in the economy. For example, Workers' Benefit Fund revenues are based on hours worked, which decline with job losses. Although not a direct driver, measures such as new home sales can speak to the general health of the industry as housing construction and financing drive Building Codes Division and Division of Financial Regulation revenues by impacting license and permit revenues, as well as revenues for the mortgage lending, banking, and credit union programs. Another factor to consider is the effect of certain industries on workload, such as the construction industry.
- **Natural disasters**, including wildfires and floods, should also be taken into consideration. These types of events can carry unexpected expenses or a need to temporarily reassign staff to meet emerging needs.
- **Program modernization** is an important factor as well. DCBS IT systems are well-maintained and secured; they are housed at the state data center or in the cloud. They are also running on supported technology and up-to-date computing. However, data and software application designs are old and complicated. The existing system designs make them inflexible, so change is difficult. Modernization will focus on updated design architecture and increased cloud usage. The biggest risks are a large Oracle database and Actuate platform. The agency needs priority and dedicated resources to modernize these. There is also a specific Modernization Program for the Workers' Compensation Division.
- The **end of the public health emergency** on May 11, 2023, will affect consumers in both the insurance and financial sectors. During the public health emergency, Medicaid eligibility redeterminations were halted, allowing people to remain enrolled even if they have income increases that would otherwise make them not eligible. Redeterminations are slated to begin 60 days following the end of the public health emergency, resulting in consumers losing their Medicaid coverage and a likely increase in enrollment in the individual health insurance marketplace. Consumers can expect to see changes in how COVID vaccines and testing are handled as a part of the end of the public health emergency.
- DCBS began work on a refreshed **agency strategic plan** in spring 2022. From the beginning of this process, we believed it is important for the plan to reflect everyone we serve and interact with, as well as with the employees who work in the agency. The ultimate goal is to have a plan that is inclusive with unified goals and objectives so that we can chart the path to the future with cohesiveness, enthusiasm, and renewed sense of purpose.

Secretary of state audits

There have been four audits in the 2021-23 biennium. The audits, including the management response, are included in the appendix.

Liquidated and delinquent debt

Information regarding liquidated and delinquent debt is included in the appendix.

Additional major changes within the past 6 years

2017-19 biennium

The **Prescription Drug Price Transparency Program**: The Prescription Drug Price Transparency Act (ORS 646A.689) created in 2019 directed the Oregon Department of Consumer and Business Services to establish a transparency program to accept reports and disclose certain information from prescription drug manufacturers, health insurance companies, and consumers on drug prices.

The drug price transparency program has collected data from the insurance industry in Oregon, from pharmaceutical companies and from consumers, and the data is helping to tell a story about the most expensive and most used drugs. People have also told us heartbreaking stories about splitting doses of medicine to make ends meet, or not being able to retire in what should be their retirement years because the cost of their prescription drugs are more than they can afford without insurance.

The goal of the program is to provide accountability for prescription drug pricing through the notice and disclosure of specific drug costs and price information from pharmaceutical manufacturers, health insurers, and consumers.

The **Oregon Reinsurance Program**, created in 2017, and extended through plan year 2026, helps keep health insurance premiums 6 percent lower than they would be without the program. HB 2010 extended the Oregon Reinsurance Program through plan year 2026 and increased the assessment paid by insurers and the Oregon Public Employee Benefits Board to 2 percent. The Centers for Medicare and Medicaid Services has reauthorized the program through 2027, pending legislative approval.

2019-21 biennium

COVID-19 response: The effects of COVID-19 brought significant changes to DCBS in 2020 and 2021. We continued the agency's work, while transitioning the workforce to hybrid or full-time teleworking. The department held public meetings and hearings virtually and increased outreach about the effect of COVID-19 on workers' compensation, health, and other types of insurance.

The Emergency Board established the Quarantine Time Loss Program (also known as the COVID-19 Temporary Paid Leave Program) on July 14, 2020, to serve employees who have to quarantine or isolate, but don't have COVID-19-related sick leave or access to COVID-19-related paid time off. DCBS, in collaboration with the Department of Revenue, set up and ran the program, which accepted applications from Sept. 16, 2020, through June 30, 2021. The program paid nearly \$25 million to more than 25,000 Oregonians (in all 36 Oregon counties).

The Division of Financial Regulation issued emergency orders in response to COVID-19 to protect consumers who might not be able to pay insurance premiums due to lost income. The division also worked with health insurance companies to create telehealth agreements to provide expanded telehealth options at the same rate as in-person health care services. The Workers' Compensation Division also adjusted the medical fee rules to increase reimbursements for telehealth appointments.

The Division of Financial Regulation issued orders that provided temporary relief to financial service providers to allow their employees to work from home so they could meet the needs of consumers while maintaining social distance. Even before the pandemic, consumers' demands for more convenient access were already decreasing the importance of physical locations and face-to-face contact and ability to provide services through technology was increasing. The COVID-19 accommodations for social distancing accelerated consumers' demands for technological solutions to providing financial services. Financial service providers adapted to remote workforces and looked for long-term relief to rules requiring employees to work from specific physical locations. The division responded with permanent rules that allowed the industries to compete in a changing workplace environment.

The COVID-19 emergency orders provided short-term relief to Oregonians in the early stages of the pandemic. The emergency orders required health insurance, life and disability insurance, property/casualty, and long-term care insurance to provide at least a one-time grace period for consumers to pay past-due premiums, and required insurers to pay claims for losses that occur during the grace period and before terminating coverage. The orders also extended all deadlines for reporting claims and other communications and provided members with communication options that meet physical distancing standards.

Oregon OSHA adopted temporary rules in response to COVID-19 for all workplaces and employer-provided housing, that were later adopted using the traditional rule adoption process. During this time, Oregon OSHA has responded to unprecedented numbers of complaints: 28,100 COVID-19-related complaints and 6,994 non-COVID-19 complaints in 2020 and 2021. Oregon OSHA provided virtual consultations and resources to employers on best practices in response to COVID-19.

Natural disaster response: In response to wildfires, the Division of Financial Regulation issued emergency orders to protect consumers and reached a two-year rebuild agreement with insurers. Team members provided in-person outreach at wildfire evacuation sites to answer questions about the insurance claims process. DFR held virtual townhall meetings about the claims process, rebuilding process, insurance scams, and the importance of flood insurance after a wildfire.

The Building Codes Division and the Division of Financial Regulation partnered to create materials to help people access manufactured home ownership documents. The Building Codes Division also did focused licensing enforcement efforts to protect consumers and provided flexibility to local governments to address local conditions and workforce shortages.

To respond to the heat dome event that occurred in June 2021, Oregon OSHA adopted temporary rules on heat illness prevention that put protections in place for workers in all workplaces and employer-provided housing.

2021-23 biennium

Transfers of OHIM and SHIBA: Senate Bill 65 (2021) and House Bill 5006 brought changes to DCBS. The Oregon Health Insurance Marketplace (OHIM) moved from DCBS to the Oregon Health Authority on Feb. 1, 2022. The marketplace came to DCBS in 2015 from Cover Oregon following the passage of Senate Bill 1 (2015). The marketplace is the state-level counterpart to HealthCare.gov. Marketplace employees help people find health insurance coverage and connect them to free, local enrollment help.

In addition, SB 65 closed the Compact of Free Association (COFA) Premium Assistance Program, which was part of the marketplace. The COFA program provided free health insurance for low-income citizens of the Republic of Marshall Islands, the Federated States of Micronesia, and the Republic of Palau who entered Oregon under the compact.

HB 5006 (2021) moved the Senior Health Insurance Benefits Assistance (SHIBA) program, which was part of the marketplace, to the Aging and People with Disabilities (APD) program in the Oregon Department of Human Services. SHIBA is a statewide network of trained counselors who volunteer their time to educate and advocate for people of all ages with Medicare.

Workers' Compensation Division Modernization Program: Building on prior biennium work, the legislature expanded program staffing to support internal information technology resources (2.00 FTE) necessary to support program activities and the Enterprise Information Services Stage Gate approval process. At the September 2022 Emergency Board, the program was authorized to hire two limited-duration positions (project manager and change management analyst), along with contracted professional services, to begin the request for proposal process for the program's core system project.

COVID-19 provisions: Oregon OSHA rolled back COVID-19 provisions to align its rule with Oregon Health Authority decisions for all workplaces and employer-provided housing. Significant adjustments were also made to the requirements for exceptional risk workplaces (health care).

Heat, wildfire smoke protections: As mentioned above in the 2019-21 biennium, to respond to the heat dome that occurred in 2021, Oregon OSHA adopted temporary rules to provide heat illness prevention protections for workers exposed to a heat index of 80 degrees Fahrenheit and provisions for workers in employer-provided housing. The temporary rules were followed up with the permanent rulemaking process with an effective date of June 15, 2022. Also, in response to the wildfires of 2020, Oregon OSHA adopted temporary rules for wildfire smoke in the summer of 2021 with a permanent process completed in 2022. The rules became effective July 1, 2022.

Prescription Drug Affordability Board: Senate Bill 844 (2021) established the Prescription Drug Affordability Board (PDAB) within DCBS to evaluate the cost of prescription drugs and determine whether they present an affordability challenge to consumers and health systems in Oregon. PDAB's review will inform rulemaking criteria for evaluating drugs, including health inequities in diverse communities, the number of Oregon residents prescribed the drug, the price of the drug in Oregon, and other criteria required by law. The board has studied the entire prescription drug distribution and payment system in Oregon and the generic drug market and provided recommendations to the legislature.

Pharmaceutical representatives: Senate Bill 763 (2021) required pharmaceutical sales representatives to be licensed by DCBS effective Jan. 1, 2023, when certain requirements are met.

Student loan servicing: Senate Bill 485 (2021) requires companies to obtain a license from DCBS in order to service student loans in Oregon. The bill also established a student loan ombuds to help borrowers understand their rights and responsibilities under the terms of student loans, to review and attempt to resolve complaints, and provide education for borrowers on student loans and related programs.

Fire Hardening Grant Program: House Bill 5006 (2021) created the Fire Hardening Grant Program. The Building Codes Division partnered with counties to run the program, which helps people affected by the 2020 wildfires. The program provides money directly to home and business owners who complete qualifying fire hardening improvements on their home or business that was damaged or destroyed. The program is available to people in Clackamas, Douglas, Jackson, Klamath, Lane, Lincoln, Linn, and Marion counties.

Administrative efficiencies

DCBS works hard to find ways to contain or reduce costs without affecting our programs or services. There are a number of ways we have worked to create administrative efficiencies. This includes sharing hearing facilities for use by other agencies and lease agreements with public entities and community partners. The Workers' Compensation Board, Oregon OSHA, and the Building Codes Division share facilities.

Oregon OSHA conducted informal appeals processes using phone and video remote options, which improved convenience and reduced travel for employers and Oregon OSHA employees, as well as following office closures and safety protocols.

By statute, Workers' Compensation Board hearings are in the county where the worker resided when the injury occurred. For locations where hearings are frequent, we lease the facility. To reduce costs for those locations where hearings are less frequent, we use facilities agreements to partner with public entities, such as Umpqua Community College in Roseburg, and the Oregon Institute of Technology in Klamath Falls, and also community organizations, such as Four Rivers Cultural Center in Ontario. Also, WCB has an interagency agreement with the Bureau of Labor and Industries (BOLI), enabling BOLI to use WCB's leased facilities within the I-5 corridor, and in its Bend and Pendleton locations. For hearings in The Dalles, WCB has an interagency agreement with the Department of Administrative Services/Department of Human Services.

In addition, WCD actively participates in the Interagency Compliance Network with sister agencies, including the Employment Department, Department of Revenue, Bureau of Labor and Industries, the Construction Contractors Board, and others, to collaborate and share resources for employer compliance strategies.

Also, in summer 2021, Oregon OSHA collaborated with business stakeholders, employee advocates, and other state agency partners to distribute KN95 masks across the state to minimize employee exposures to wildfire smoke.

WCD's Modernization Program is focused on enhancing efficiencies to better serve customers. One way the division has done that is to offer more electronic communication options for its stakeholders by expanding its electronic portal.

The agency is also in the early stages of an assessment of office space needs, which may potentially help the agency save money on rent. With the Oregon Health Insurance Marketplace no longer part of DCBS, there is empty space where the marketplace was located in the Labor and Industries Building in Salem – DCBS' main location. Also, the new hybrid work environment means there are fewer people coming into the office on a daily basis.

DCBS has also improved telecommunications efficiencies. We moved from desk phones to cellphones, which are a more efficient alternative compared to desk phones. Also, we moved from solely in-person to virtual and hybrid meetings.

DCBS is reviewing performance measures and processes to find redundancies and efficiencies as part of an ongoing performance management process to improve administrative efficiencies. As mentioned earlier in this document, the department is currently updating its strategic plan, which will incorporate opportunities to find and embrace administrative efficiencies.

2023-25 Governor’s Recommended Budget

2023-25 expenditure summary

A high-level summary of DCBS’ budget is shown in the table below. DCBS’ 2023-25 Governor’s Recommended Budget remains relatively unchanged from the 2021-23 legislatively approved budget, with a modest increase for inflation and cost-of-living adjustments at rates approved by the Department of Administrative Services.

2021-23 Legislatively Approved Budget	704,984,823
2023-25 Current Service Level	505,672,385
Percentage Change from 21-23 LAB to 23-25 CSL	-28.3%
Pkg. 070 Revenue Shortfall	(2,929,522)
2023-25 Modified CSL	502,742,863
Percentage Change from 21-23 LAB to 23-25 Modified CSL	-0.6%
Program - Policy Option Packages Operational	15,570,735
Program - Policy Option Packages Pass-Through Payments	221,800,000
Analyst Adjustments - Policy Option Packages	(1,977,818)
Total Budget	\$ 738,135,780
Percentage Change from 21-23 LAB to 23-25 GRB	4.7%

For more detailed information, the DCBS 2023-25 Governor’s Recommended Budget document may be found online at <https://www.oregon.gov/dcbs/Documents/budget/DCBS-2023-25-governor-recommended-budget.pdf>

Policy option packages

The 2023-25 Governor's Recommended Budget includes 16 policy option packages for DCBS:

Workers' Compensation Modernization

Policy option package No. 101

3 positions, 2.50 FTE, \$6,576,981 other funds

- Continue to improve business processes and technology to better serve customers
- Support the request for proposal to initiate core system project
- IT professional contracted services
- Quality assurance (iQMS) contracted services
- Make limited-duration project management and change management positions permanent; add a system tester in 2024

Oregon Reinsurance Program

Policy option package No. 102

0 positions, 0.00 FTE, \$221,920,000 other funds and federal funds

- Oregon Reinsurance Program was established in 2017 to stabilize rates and premiums for individual health benefit plans and provide greater financial certainty to health insurance consumers in Oregon
- For plan years 2021 and 2022, program kept rates from increasing by 6 percent

Information Systems Examiners

Policy option package No. 103

1 position, 0.88 FTE, \$262,175 other funds

- DFR conducts IT examinations of regulated banks, credit unions, and insurance institutions
- Exams take up 4,760 hours of IT exam work per year
- Division currently has two dedicated IT examiners
- Request one more information systems specialist 7 to attract qualified staff members to perform IT exams under cycle required to maintain NAIC accreditation

Non-Depository Licensing

Policy option package No. 104

2 positions, 1.76 FTE, \$410,036 other funds

- DFR regulates a wide variety of non-depository (NDP) entities
- NDP licensing has increased by 75 percent since 2016
- Staffing levels do not align with growing industry numbers.
- Request one financial examiner 1 and one financial examiner 2 to achieve and maintain desired processing times

Insurance Institutions Section

Policy option package No. 105

1 position, 0.88 FTE, \$252,607 other funds

- Insurance Institutions Section analysts review annual and quarterly financial filings of Oregon insurers to ensure solvency
- This work must be subject to "in-depth and challenging review" by a "senior level analyst" per NAIC accreditation standards
- DFR has one senior level analyst – insufficient to complete the reviews as required
- Request one operations and policy analyst 3 to function as a second senior financial analyst

Prescription Drug Affordability Board

Policy Option Package No. 106

8 positions, 8.00 FTE, \$2,970,125 other funds

- Program was established in 2021-23 biennium
- Documents the shift from General Fund revenue to Other Fund revenue to fund the program
- Funding for the program is derived from fees assessed against manufacturers of prescription drug products sold in Oregon

Consumer Education Advocacy

Policy option package No. 107

3 positions, 2.64 FTE, \$695,825 other funds

- Consumer Education and Advocacy team is the face of the division to Oregon consumers and provides information, education, and one-on-one assistance to the public
- Team answers inquiries and works directly with regulated entities to resolve complaints and issues
- Request one compliance and regulatory manager 2 and two program analyst 2 to address increasing workload and unsustainable manager-to-staff ratio (1:21)

Community Engagement

Policy option package No. 108

1 position, 0.88 FTE, \$665,074 other funds

- Establishes one permanent Community Engagement Coordinator
- Position engages with underserved communities, identifies barriers, and develops/implements improvement efforts
- Also adds resources for improved access to services (increases translated materials; expands bilingual staff)

Agency-wide IT Service Desk

Policy option package No. 109

2 positions, 2.00 FTE, \$489,368 other funds

- Expand size of agency IT service and desktop support team from three to five specialists
- Improve equipment support and turnaround for deployment and incident response
- Provide on-site assistance during public hearings and other complex meetings

Agency-wide IT Internal Security

Policy option package No. 110

4 positions, 3.01 FTE, \$821,959 other funds

- Expand IT staffing to enhance security protection of agency's network, endpoints, access controls, asset inventories, and confidential data
- Address findings identified by Secretary of State and adapt to ever-changing risks and requirements
- Allow the agency to further strengthen its security posture

Agency-wide Financial Services

Policy option package No. 112

1 position, 1.00 FTE, \$333,501 other funds

- Add budget manager to direct the day-to-day operations of budget team
- Provide ability to manage budget decisions affecting all agency programs in timely and seamless manner

- Create capacity for the chief financial officer to focus their expertise, support initiatives, and make major decisions related to budget, accounting, revenue management, and policy directives

Workers' Compensation Board IT Support

Policy option package No. 114

1 position, 0.88 FTE, \$234,688 other funds

- Help the team work through backlog of service requests (small system enhancements, bug and data fixes, data requests, etc.) in timelier manner
- Document legacy system business logic as changes are made to existing applications, nightly processing jobs, and companion business processes
- Respond to future modernization needs related to data, data cleansing, and migration

Agency-wide Data Modernization

Policy option package No. 115

2 positions, 1.76 FTE, \$439,538 other funds

- Enable continued expansion of Power BI as tool to facilitate data-driven decision-making
- Support agency-wide initiatives that involve data reporting, data transparency, and automation of data upload methods
- Improve user satisfaction and productivity related to database administration and support

Information Technology & Research Workload

Policy option package No. 116

1 position, 1.00 FTE, \$284,184 other funds

- Establish team leads to support staff and allow for better staff contact with manager
- Provide career and growth opportunities for unit staff who might be interested in future management positions
- Ensure the ITSM platform (DCBS tracking tool) can be efficiently maintained and appropriately scaled to meet needs of agency programs

Agency-wide IT Training

Policy option package No. 117

1 position, 0.88 FTE, \$214,783 other funds

- Establish IT trainer to assess needs, establish requirements, determine solutions, and manage ongoing secure coding practices training
- Provide divisions help understanding M365 capabilities, use of features, and adaption to changes experienced in service
- Improve use of enterprise tools and ability to interconnect, communicate, and collaborate

Occupational Safety and Health Lab

Policy option package No. 118

0 positions, 0.00 FTE, \$799,891 other funds

- The North Valley Complex (NVC) is a new statewide investment in state laboratory infrastructure and resiliency
- Oregon OSHA's lab will relocate from its current space (Commission for the Blind), where the lease is ending and cannot be renewed, to the NVC lab in Wilsonville
- Package includes rent increases and moving costs

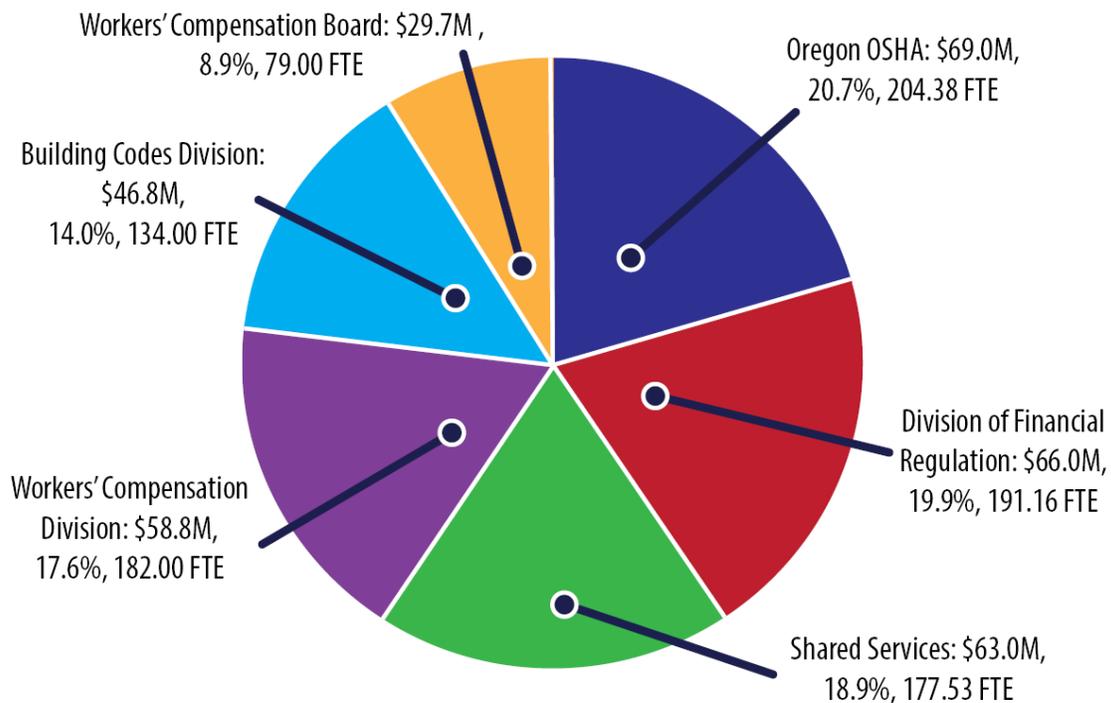
Funding

The Department of Consumer and Business Services is funded by those we regulate and their customers. DCBS manages more than 30 dedicated funds and collects 485 dedicated fees, as well as assessments and charges. The department does receive some revenue from federal funds as well. DCBS expects to collect approximately \$167.7 million for the General Fund for this coming biennium and to transfer about \$626.4 million to other state agencies or local programs.

DCBS operational costs – 2023-25 Governor's Budget: \$333.3 million

The following chart details DCBS' operational costs by division, detailing the total full-time equivalent and the percentage of total operational costs.

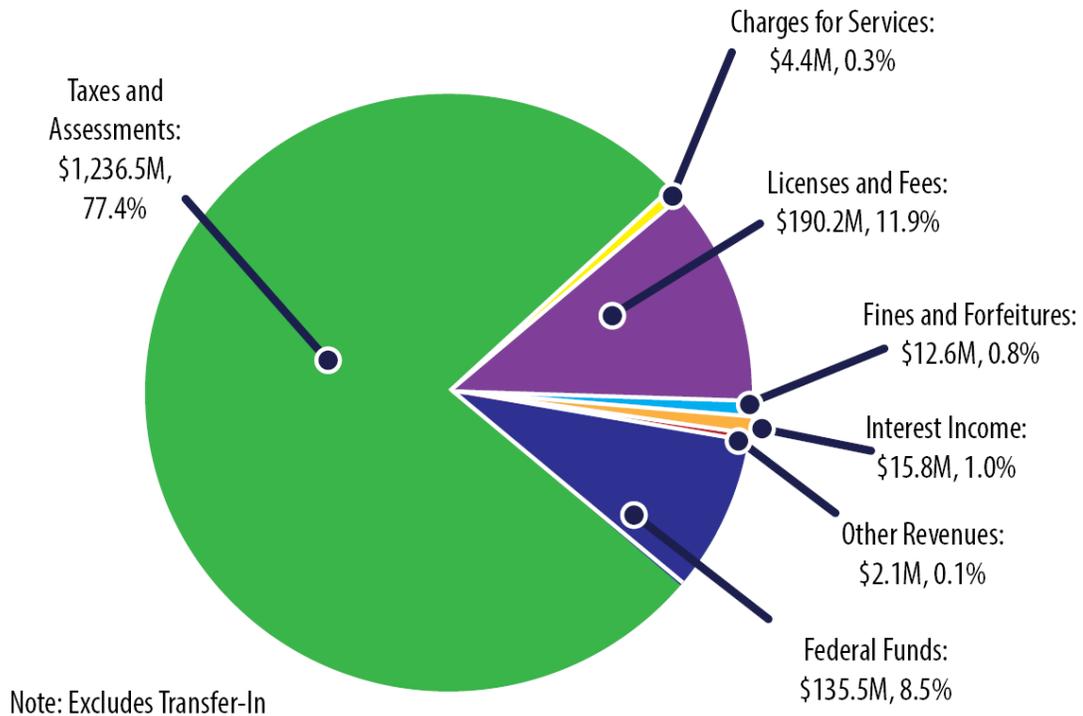
DCBS Operational Costs: 2023-25 – Governor's Recommended Budget – \$333.3 million



DCBS revenue sources – 2023-25 Governor's Budget

DCBS is funded by those we regulate. DCBS anticipates collecting nearly \$1.6 billion through the following sources.

DCBS Revenue Sources: 2023-25 – Governor's Budget – \$1.6 billion

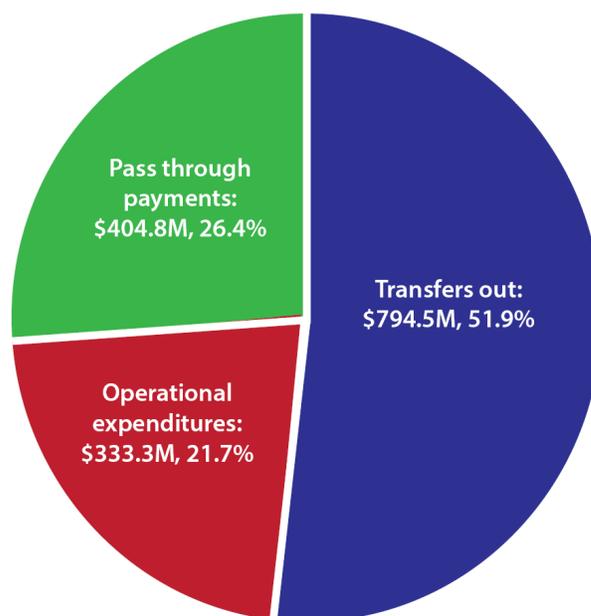


DCBS Revenue Destination – 2023-25 Governor's Recommended Budget

DCBS anticipates using 20.8 percent of the nearly \$1.6 billion of 2023-25 revenue included in the Governor's Recommended Budget for operational expenditures. The remaining 79.2 percent of revenue is included under the other two main categories, pass through payments or transfers out:

- **Transfers out** – For example, revenue transfers required through statute such as the transfer to the General Fund or to other agencies per an interagency agreement.
- **Pass through payments** – For example, benefit payments, Oregon Reinsurance Program payments to insurers, and amounts to community partners.
- **Operational expenditures** – For example, revenue used within DCBS to fund personal services, and services and supplies.

DCBS Revenue Destination: 2023-25 – Governor's Budget



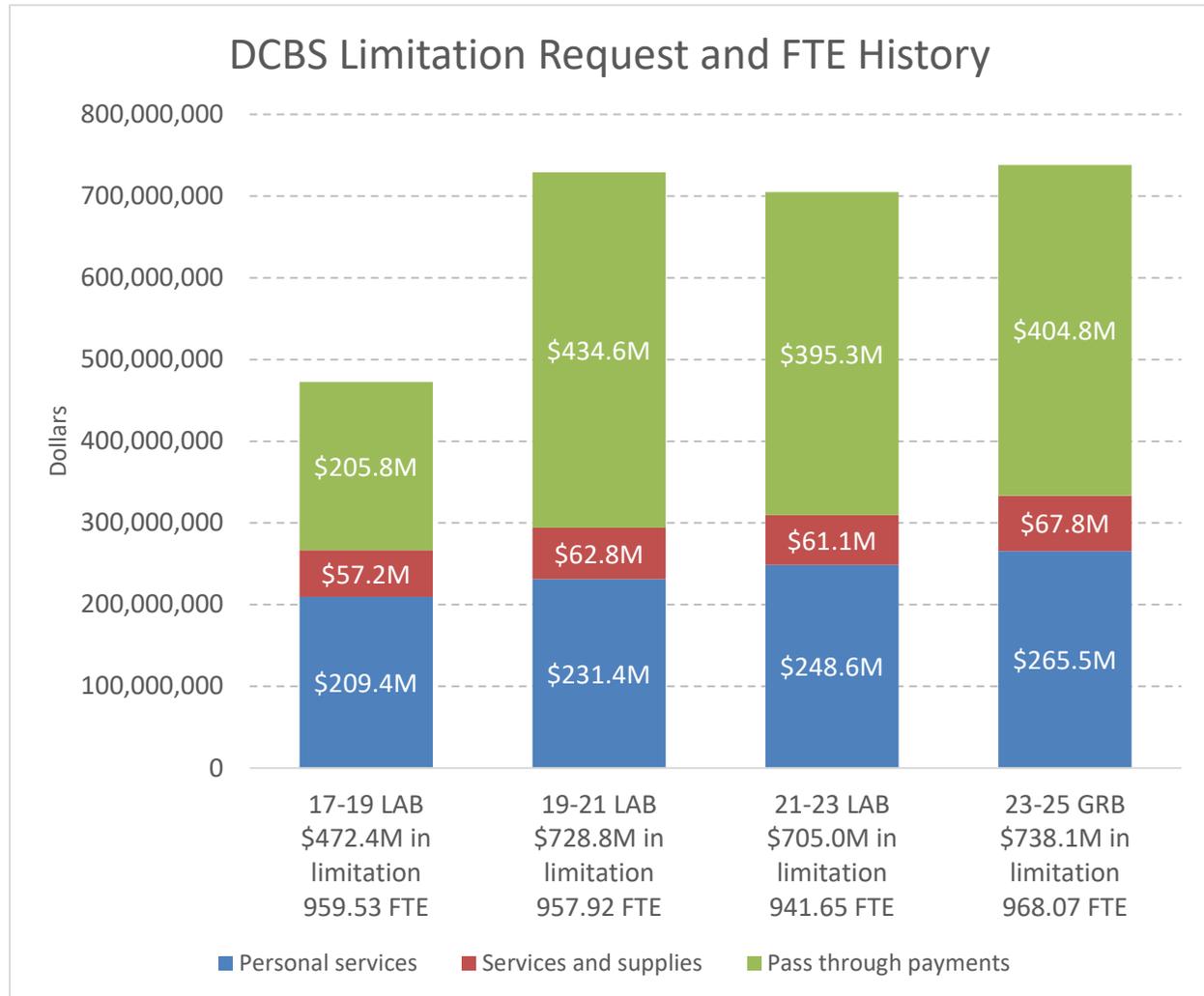
Notable transfers out from DCBS

Destination of transfer	Amount (in millions)
General Fund	\$167.7M
Counties	\$0.5M
Office of the State Fire Marshal	\$37.7M
Oregon Health Authority	\$584.3M
Land Conservation and Development	\$2.2M
Bureau of Labor and Industries	\$1.7M
Total	\$794.1M

DCBS limitation request and FTE history

A history of DCBS' approved limitation and current request is detailed in the chart below.

The greatest area of growth in limitation is in the area of pass through payments. The jump in the 2019-21 biennium is due to the introduction of the Oregon Reinsurance Program and the addition of the Quarantine Time Loss Program. The decrease in 2021-23 Legislatively Approved Budget is related to the reduction of \$40 million in excess non-limited limitation within the Workers' Benefit Fund programs.



Legislative update

2023 department-sponsored bills

[HB 2274](#) – The Oregon securities law is outdated and does not meet its purpose in protecting investors. The bill modernizes the law to respond to significant developments in the technology of securities trading and regulation and the increasingly interstate and international aspects of securities transactions.

[HB 2277](#) – State law currently exempts insurance companies and third-party administrators (TPAs) that solely operate in Oregon on behalf of self-insured health plans from obtaining a license with DCBS. The bill clarifies the regulation of TPAs for self-insured employer health plans.

[HB 2282](#) – Changes to federal laws and regulations, as well as evolving conditions in the insurance market, require periodic updates to state law. This is the department's biennial bill to implement these technical fixes to the state's Insurance Code.

[HB 5010](#) – During legislative sessions in odd-numbered years, the Governor's Budget is presented to the Legislature. Each agency budget has a budget bill that gets voted on by the legislature. This bill establishes the department's budget for the 2023-2025 biennium.

Changes from Agency Request Budget to the Governor's Recommended Budget

The following adjustments were made during the Governor's Recommended Budget process:

- Workers' Compensation Modernization – Policy option package No. 101
 - Funded at the appeal level of \$6,576,981
- Agency-wide Financial Services – Policy option package No. 112
 - Funding reduced by one position (Accounting Technician 3)
- Occupational Safety and Health Lab – Policy option package No. 118
 - Funding modified to \$799,891
- Analyst Adjustments – Package No. 090
 - Increased transfers out by \$37,066,819 (see below)
- Statewide AG Adjustment – Package No. 092
 - Reduction total of \$260,242
- Statewide Adjustment DAS Changes – Package No. 093
 - Reduction total of \$1,717,576
- A revenue transfer of \$2,154,190 from the Building Codes Division ending balance was added to fund the startup costs for a joint Housing Production and Accountability Office between DCBS and the Department of Land Conservation and Development as described in HB 3414

- An adjustment was made to DCBS' revenue transfers to the Oregon Health Authority to help balance the state's budget

Ten percent reduction requirements

As required by statute, DCBS has provided a list of reduction in 5 percent increments, which is included in the appendix. The DCBS approach to the reductions is to prioritize DCBS programs by program impact, estimate cost of programs, and then set two 5 percent reductions levels beginning from the bottom of the list for a total of 10 percent.

Agency vacancies

DCBS Long-Term Vacancies					
Division	Position number	Position title	FTE	2023-25 Biennial PS BUDGET (Other Funds)	Vacancy Date
Workers' Comp. Board	2200.189	WCB Administrative Law Judge	1.00	\$320,440	12/31/2021
Workers' Comp. Division	9000.640	Office Specialist 2	1.00	\$136,898	4/22/2020
OSHA	5000.418	Office Specialist 2	0.50	\$68,448	6/15/2020
Employee Services	1000.514	Administrative Specialist 1	1.00	\$151,409	10/29/2021
Division of Financial Regulation	0003.082	Insurance Examiner	1.00	\$231,678	1/21/2019
	0001.106	Financial Examiner 1	1.00	\$184,091	11/2/2020
Building Codes Division	0004.834	Structural/Mechanical Inspector, Commercial & Residential	1.00	\$214,082	5/1/2020
	0004.842	Electrical Inspector, Multi Discipline	1.00	\$222,486	12/31/2020
	0004.877	Office Specialist 1	1.00	\$136,836	11/29/2019
	0004.814	Operations & Policy Analyst 3	1.00	\$231,526	10/18/2021
	0004.076	Professional Engineer 2	1.00	\$306,685	8/16/2019
Total			10.50	\$2,204,579	

Appendix

Note: The DCBS 2023-25 Governor's Recommended Budget document is available at <https://www.oregon.gov/dcbs/Documents/budget/DCBS-2023-25-governor-recommended-budget.pdf>

January 19, 2022

Andrew Stolfi, Director
Department of Consumer and Business Services
350 Winter Street NE
Salem, Oregon 97301

Dear Andrew Stolfi:

We have completed audit work of selected financial accounts at the department for the year ended June 30, 2021. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

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

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

Significant Deficiency

Improve documentation to facilitate review

Department management is responsible for establishing and maintaining internal controls that provide reasonable assurance financial transactions are accurate and properly recorded. Transactions should be clearly documented, and the documentation readily available for examination.

Various divisions within the department assess fines and fees for noncompliance with state statutes. When an individual division is not successful in collecting amounts owed to the department, the responsibility for collection efforts is transferred to the department's Accounts Receivable (AR) Unit. The AR Unit maintains the subsidiary records for accounts receivable transferred from other divisions, and at year-end, uses the detailed information from their subsidiary system and individual divisions to manually calculate financial statement balances for current and noncurrent receivables and uncollectible amounts. The Central Accounting Unit is responsible for reviewing the information provided by the AR Unit and recording the necessary entries in the financial statements.

During the audit we noted the following:

- The documentation included to support the financial statement entries was comprised of insufficiently detailed summaries. When requested by auditors, the underlying detail to support the summaries was not readily available.
- The department did not document their processes for querying and filtering the subsidiary system data, obtaining division level receivable balances, or manually synthesizing the information for calculating amounts in the financial statements.
- The department has a documented methodology for determining the percentage of receivables that are uncollectible. However, their methodology to manually apply those percentages to outstanding receivable balances was not documented, nor was the underlying support readily available.

The department relies on supervisory review of their financial statement entries as the control to provide reasonable assurance entries are complete and accurate. Without sufficiently detailed and documented procedures and supporting documentation that is readily available, the department limits their ability to conduct effective reviews and to prevent, detect, or timely correct material misstatements. During our testing we identified errors in the manual application of the uncollectible percentages that were not detected and corrected during supervisory review and resulted in a \$40 million audit adjustment to the amount of receivables the department expects to collect.

We recommend department management ensure procedures for determining the accounts receivable balances are documented, including relevant data download requests and filters, and how uncollectible percentages are applied to outstanding balances. We also recommend the department ensure effective reviews are performed by maintaining documentation that is sufficiently detailed and readily available.

Prior Year Finding

In the prior fiscal year, we reported a material weakness related to the department's implementation of the new accounting standard related to fiduciary activities in a letter dated February 12, 2021. This

finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2020, see Secretary of State audit report number 2021-13, finding number 2020-004. During fiscal year 2021, the department partially corrected the finding by implementing procedures to record this activity. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2021, with a status of Partial Corrective Action Taken.

The above significant deficiency, along with your response for the finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2021. Please prepare a response to the finding and include the following information as part of your corrective action plan:

1. Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Amy John by February 2, 2022 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

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

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Amy John, Audit Manager or Shelly Cardenas, Principal Auditor at (503) 986-2255.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Mary Moller, Deputy Director
Blake Johnson, Central Services Division Administrator
Carolina Marquette, Fiscal Services Manager
Michael Campbell, Chief Audit Executive
Katy Coba, Director, Department of Administrative Services
Robert Hamilton, SARS Manager, Department of Administrative Services



Department of Consumer and Business Services

Cybersecurity Controls Audit

November 2021
Report 2021-31



Secretary of State
Shemia Fagan



Audits Director
Kip Memmott

Audit Highlights

Department of Consumer and Business Services
Cybersecurity Controls Audit

Why this audit is important

- The Department of Consumer and Business Services (DCBS) provides a broad range of consumer protection, health insurance access, and commercial regulations for the state. It is Oregon's largest consumer protection and business regulatory agency.
- DCBS has a budget of approximately \$660 million and over 900 employees.
- Cyberattacks are a growing concern for both the private and public sector. Recent breaches at Oregon state agencies have only escalated this concern. To protect against growing threats, information technology (IT) management professionals should apply robust cybersecurity controls at various levels of infrastructure to protect IT resources.
- This audit assessed critical security controls and the IT security management practices at DCBS.

What we found

Our review identified specific areas where DCBS should improve cybersecurity controls. DCBS has an incomplete security management and compliance program and does not meet all the basic IT controls for the six CIS controls we reviewed. We identified the following areas for improvement:

1. DCBS has established a security management and compliance program, but more work remains to ensure that agency systems and data are protected against unauthorized use, disclosure, or modification. ([pg. 4](#))
2. DCBS does not actively manage hardware devices on its network to ensure only authorized devices connect, nor does it actively manage its software to ensure only authorized software is installed. ([pg. 5](#))
3. Vulnerability and patch management are performed on a limited, ad-hoc basis. ([pg. 7](#))
4. DCBS does not appropriately manage all users who have high-level access to its systems and data. ([pg. 8](#))
5. More work is needed to ensure that all devices are appropriately configured and monitored to ensure settings remain appropriate. ([pg. 8](#))
6. The agency needs processes, central logging, and the necessary tools to monitor and review the audit logs for all workstations, servers, and network devices for inappropriate behavior. ([pg. 9](#))

Due to the sensitive nature of IT security and in accordance with Oregon state law and government auditing standards, we communicated details of the extent of the security weaknesses we identified to agency management in a confidential appendix.

What we recommend

We made seven recommendations to DCBS that include improving IT security plans and remedying weaknesses we identified in basic CIS Controls™. DCBS agreed with all of our recommendations. The response can be found at the end of the report.

Introduction

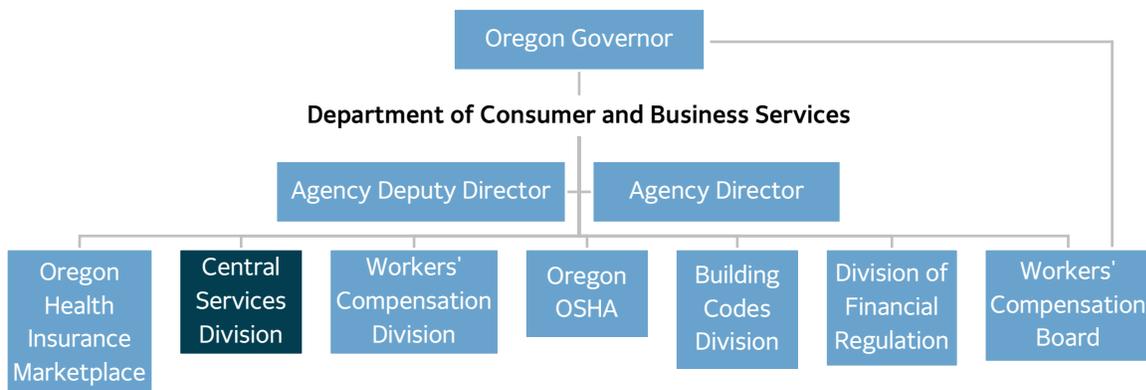
Cyberattacks are a growing concern for both the private and public sector. Past breaches at Oregon state agencies have only escalated this concern. To protect against growing threats, state agency leadership should ensure that information technology (IT) management professionals apply robust cybersecurity controls at various levels of infrastructure to protect their networks, servers, and user workstations for the agencies they oversee. State agencies utilize a variety of frameworks and standards with varying levels of detail to guide these efforts.

The Audits Division conducts cybersecurity audits to evaluate IT security risks and provide a high-level view of an agency's current state. We chose to use the Center for Internet Security's CIS Controls™, version 7.1. The CIS Controls™ are a prioritized list of 20 high-priority defensive actions that provide a starting point for enterprises to improve cyber defense. The controls are divided into three categories: basic, foundational, and organizational. This review includes the first six, the basic controls, which the Center for Internet Security, along with other security practitioners, define as key controls that every organization should implement for essential cyber defense readiness. Additionally, used the Government Accountability Offices Federal Information System Controls Audit Manual's Security Management criteria to evaluate security management practices at the agency.

In the following pages, we present the results as charts depicting the implementation status of sub-controls in each control as fully implemented, partially implemented, or not implemented. This provides agency management, the Legislature, and others with responsibility for cybersecurity in the state with a snapshot of high-risk areas.

This audit does not consider an agency's risk appetite. Therefore, while these controls are considered basic by many security practitioners, agency management may choose not to fully implement a control if they determine within their strategic priorities that the cost of doing so outweighs the risk. In addition, while we generally considered controls that might mitigate some of the risks we identified, we did not perform a detailed review of potential compensating controls for each sub-control.

DCBS serves as an umbrella agency over most state functions affecting businesses



The Department of Consumer and Business Services (DCBS) is Oregon's largest consumer protection and business regulatory agency. As such, DCBS increasingly focuses on IT to support agency initiatives including, but not limited to, electronic application and renewal processes for professional licensees; online systems for businesses to submit assessments, reports, and data to the department; filing complaints; accepting citation appeals; and Workers' Compensation Board transactions. The department was formed in 1993 to serve as an integrated umbrella agency over most state functions affecting businesses to improve efficiency and effectiveness. For the 2021-23 biennium, the agency's budget was over \$662 million funding 929 full-time equivalent (FTE) positions.

The mission of DCBS is to protect and serve Oregon's consumers and workers while supporting a positive business climate. The agency serves as a resource to consumers and businesses in areas involving building safety, workplace health and safety, financial services, and health care enrollment.

DCBS has multiple divisions or units, including:

- Building Codes Division;
- Central Services Division;
- Division of Financial Regulation;
- Director's Office;
- Oregon Occupational Safety and Health Division;
- Workers' Compensation Division; and
- Workers' Compensation Board.¹

The Information Technology and Research Section is located within the Central Services Division

The Information Technology and Research Section (IT&R) designs, develops, and maintains IT applications and infrastructure for all divisions of DCBS. In addition, the section collects, researches, analyzes, and reports data for internal and external use. IT&R consists of four main groups:

- Systems Infrastructure (13 FTE)
- Customer Support & System Maintenance (25 FTE)
- Solution Development & Delivery (20 FTE)
- Research (15 FTE)

In the 2021-23 Governor's Budget, the IT&R section had over \$21.6 million allocated for 79 FTE to support agency staff.

State agencies and Enterprise Information Services share responsibility for cybersecurity in Oregon government

In September 2016, the Governor signed Executive Order 16-13, unifying IT security functions for the majority of state agencies in order to protect and secure information entrusted to the State of Oregon.² The order directed executive branch agencies to consolidate security functions and staffing

¹ DCBS provides administrative support to the Worker's Compensation Board. The board chair is appointed by the Governor and confirmed by the Legislature.

² [Executive Order 16-13](#), "Unifying Cyber Security in Oregon"

into the Office of the State Chief Information Officer, now known as Enterprise Information Services (EIS). In addition, the order instructed agencies to work with the newly consolidated group to develop and implement security plans, rules, policies, and standards adopted by the State Chief Information Officer.

The passage of Senate Bill 90 in June 2017 made the order permanent, resulting in the transfer of 30 security-related positions from state agencies to EIS. 1.5 FTE were transferred from DCBS. To compensate for the loss of security staffing, Cyber Security Services (CSS), the EIS branch responsible for cyber security, intended to assign executive branch agencies a Business Information Security Officer to provide guidance, planning, and security leadership. In the interim period, CSS has provided services to DCBS, including a 2018 assessment of the agency's security controls. EIS, through CSS, conducts vulnerability assessments of state agency information systems to evaluate and respond to the information systems threats.

EIS maintains policy and statewide IT oversight functions. CSS brings together elements of enterprise security — including governance, policy, procedure, and operations — under a single accountable organization. Agencies retain responsibility for many organization-level security controls and work collaboratively with CSS to ensure the confidentiality, availability, and integrity of their sensitive business information. CSS continues to define the division of security responsibilities and functions between its office and agencies.

Audit Results

Our review identified areas where DCBS should improve cybersecurity controls. Specifically, DCBS needs to mature its security management program by establishing a framework for assessing risk, developing and implementing effective security processes and procedures, and monitoring the effectiveness of those processes and procedures.

Additionally, while some sub-controls are partially implemented to various degrees, DCBS lacks fully implemented cybersecurity controls for all six basic foundational CIS controls reviewed. We determined this is largely due to a lack of prioritization for implementing these controls, as most of the weaknesses identified had been previously communicated to DCBS in 2016 and 2018, with limited progress.

We considered the risks posed by publicly releasing any information related to security findings. As part of our consideration, we balanced the need for stakeholders, such as the Legislature, to be informed on critical or systemic IT security issues affecting the State against the need to protect the agency from cybersecurity threats. Consequently, in accordance with ORS 192.345(23) and generally accepted government auditing standards, we excluded some details of the security weaknesses from this public report and provided them to agency management and EIS in a confidential appendix.

DCBS has not fully implemented a security management and compliance program

Security management programs of all executive branch agencies should be collaborative efforts with EIS and CSS. Under this governance structure, CSS is responsible for enterprise information security strategy and planning, while each individual agency is responsible for the development, documentation, and implementation of a security management and compliance program for its specific environment, including workstations and applications.

Effective security management requires agencies to have policies, plans, and procedures that describe the management program and cover all major systems and applications. Detailed roles and responsibilities should be clearly defined. Specifically, agencies should:

- Periodically assess and validate risks;
- Document and implement security control policies and procedures;
- Implement and monitor effective security awareness training;
- Remediate information security weaknesses; and
- Ensure external third-party activities are adequately secured.

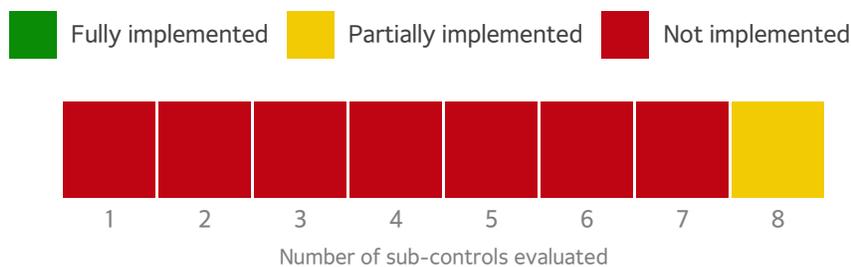
We determined that DCBS has established a security management and compliance program, but extensive work remains to ensure that agency systems and data are protected against unauthorized use, disclosure, or modification. Specifically, DCBS needs to mature processes for assessing, validating, and mitigating risks, ensuring third-party activities are secure, and finish documenting security control policies and procedures. This finding is particularly significant because these weaknesses and more have been identified and communicated in two separate confidential assessments in 2016 and 2018 first by the Oregon Audits Division and then by CSS.

While some aspects of IT security have been consolidated within CSS, other aspects of IT security — application security, network vulnerability scanning and monitoring, and patching of servers not hosted by EIS’ Data Center Services — remain with the agency. Yet without sufficient staff assigned specifically to security tasks, most critical activities are performed on an ad-hoc basis, potentially hindering DCBS’ ability to thoroughly identify and respond to security incidents.

CIS Controls Review

For this audit, we evaluated the implementation level of the agency’s cybersecurity control environment against the top six CIS Controls™ and their associated sub-controls. We evaluated each sub-control to provide an assessment of the agency’s overall cybersecurity implementation. The charts below illustrate the number of controls evaluated for each control objective, and whether that control is fully implemented, partially implemented, or not implemented.

CIS Control™ 1: Inventory of Authorized and Unauthorized Devices

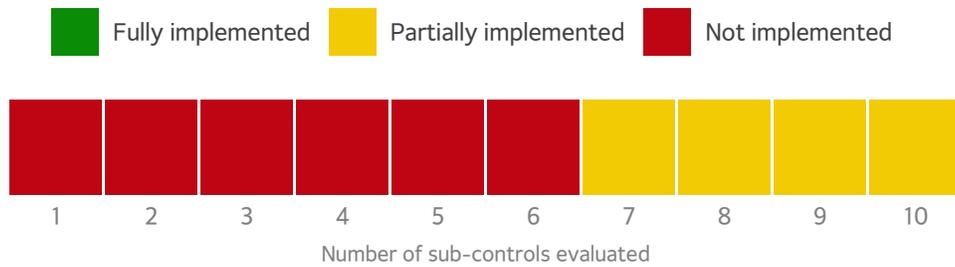


We evaluated DCBS’ processes to identify network devices, maintain an updated inventory of hardware devices, and ensure only approved devices can connect to the network. We determined DCBS has not fully implemented any IT controls that would help identify, respond to, or protect its hardware assets so that only authorized devices are given access, and unauthorized and unmanaged devices are found and prevented from gaining access.

Specifically, DCBS does not use automated tools to track and monitor hardware assets. Instead, the agency uses a manual process at the division level to track assets in separate inventories. These inventories are updated with new asset purchases and during annual physical inventories. However, no single, complete inventory of all agency assets is maintained by DCBS, and the processes used may not fully capture all its hardware assets.

Any new device introduced to an agency’s network may introduce vulnerabilities. Ensuring only authorized devices have access to information on the agency’s network allows IT professionals to identify and remediate vulnerabilities by implementing proper security controls. Without an accurate, up-to-date inventory of authorized hardware devices, the agency cannot actively manage and monitor all devices on the network to ensure that only authorized devices are given access, and unauthorized devices are identified and prevented from gaining access.

CIS Control™ 2: Inventory of Authorized and Unauthorized Software

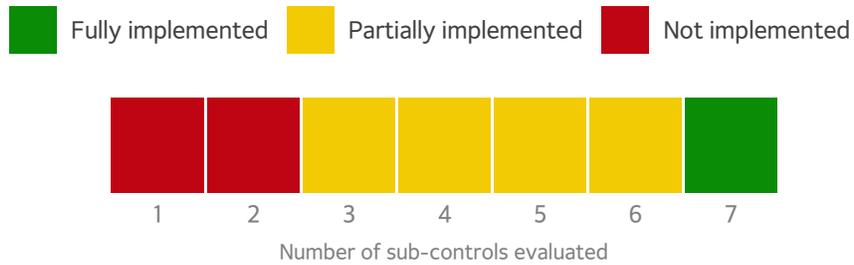


We evaluated DCBS' process to document approved software, segregate high-risk software, and identify software installed on its systems. We determined the agency has some tools in place to identify and track software installed on devices connected to its network, although these tools were primarily directed toward procurement instead of creation of a complete, accurate, agencywide inventory. However, DCBS does use an application portal that limits what software users have access to within its environment. Other weaknesses identified include not having a list of approved software, not integrating hardware and software inventories, and not fully implementing whitelisting to ensure only authorized software could be installed on agency systems. In practice, DCBS does isolate systems that were determined to be riskier.

Controls should be established by implementing software whitelisting, automating software inventory, and monitoring software installations on all systems. Organizations should maintain an inventory of software installed on their computer systems similar to the inventory of hardware assets. Attackers continuously scan targeted organizations looking for vulnerable versions of software to exploit. If an agency does not have a complete, accurate, and up-to-date list of the software authorized to be on its systems, it cannot ensure effective controls are in place to update installed software. Software that is no longer supported by its vendor is especially vulnerable to this type of attack, as patches are no longer developed to remediate vulnerabilities.

In addition, without an inventory of system software, an agency may be unable to identify unauthorized software on its information systems, such as malicious software or software with known vulnerabilities. Attackers can exploit systems with malicious or vulnerable software to gain unauthorized access to the agency's data or disrupt operations. Workstations are also more likely to be either running software that is unnecessary for business purposes, which could introduce potential security flaws, or running malware introduced by an attacker after a system is compromised.

CIS Control™ 3: Continuous Vulnerability Assessment and Remediation



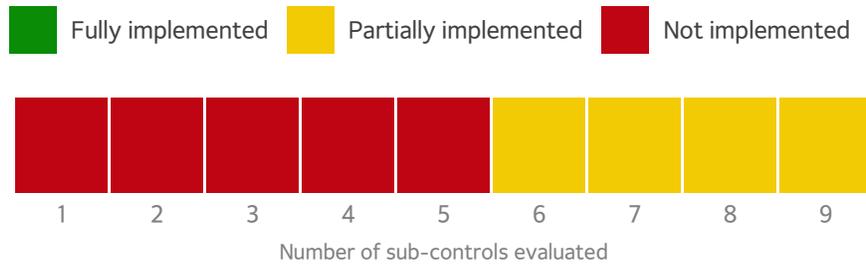
We evaluated DCBS’ processes related to continuous vulnerability management, including the use of authenticated vulnerability scans, protection of dedicated assessment accounts, deploying automated operating system and application patch management tools, and comparing back-to-back vulnerability scans.

We found DCBS performs monthly network vulnerability scans, which identifies critical vulnerabilities that may impact its network environment. However, processes to assign, review, and remediate critical vulnerabilities were informal and largely ad-hoc. While EIS’ Data Center Services manages most of DCBS’ server patch management, we noted the agency does not have reliable processes in place to monitor and ensure that these critical activities take place. While we noted most systems were fully patched, gaps in patch management processes resulted in some systems not receiving critical software updates. Additionally, we noted some systems did not have required anti-virus protection. These were corrected at the time of the audit.

Organizations should be continuously engaged in identifying, remediating, and minimizing security vulnerabilities to ensure their assets are safeguarded. Attackers commonly exploit IT systems that have not been patched with security updates or have other known vulnerabilities. This could compromise the confidentiality, integrity, or availability of agency data. By scanning the network for known vulnerabilities, an agency can identify and prioritize software patching and other remediation activities to ensure these known risks are controlled.

Agency management should ensure processes are in place to be informed of available patches, test those patches for compatibility on the agency’s systems, document the basis for the decision whether or not to implement patches, and implement appropriate changes in a timely manner.

CIS Control™ 4: Controlled Use of Administrative Privileges

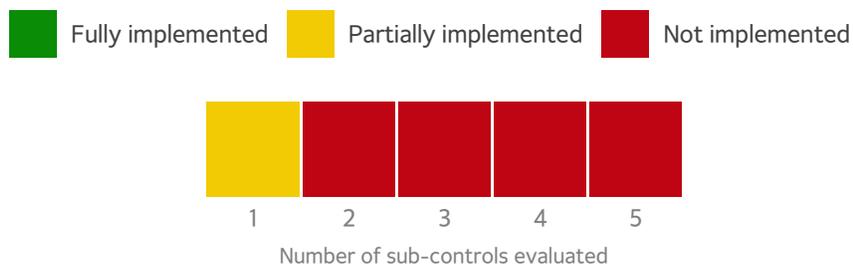


We assessed DCBS' processes and tools used to control access to privileged accounts, log and monitor login activity, and to establish robust authentication procedures.³

We found the agency generally lacked processes and procedures for granting, reviewing, monitoring, and terminating access for privileged accounts. Additionally, we found that DCBS lacks a full listing of users with significant access, has insufficient password setting requirements for some servers, has unused accounts that were no longer needed, and lacks multifactor authentication for all administrative accounts.

Management of privileged users should ensure only authorized users are able to perform administrative functions on the agency's information systems. While some users may have authorization to read, edit, or delete data based on their job duties, other users have access to advanced functions such as system control, monitoring, or administrative functions. Actions performed under these administrative accounts may have critical effects on the agency's systems. Therefore, use of accounts with these privileges should be effectively controlled by management, including implementing controls to segregate, manage, and monitor their use.

CIS Control™ 5: Secure Configurations for Hardware and Software on Mobile Devices, Laptops, Workstations, and Servers



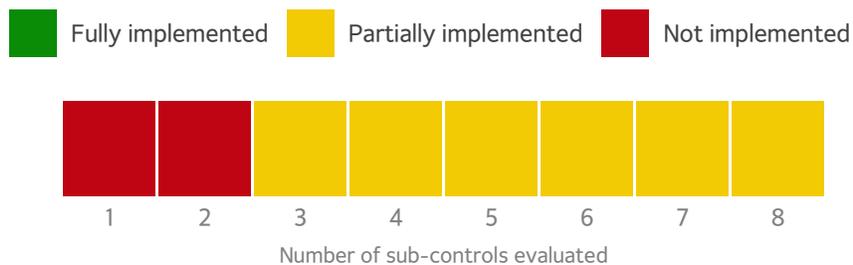
We evaluated DCBS' processes to document and safeguard baseline configurations, deploy secure configurations, and monitor configurations on its network. We noted DCBS has established secure configurations for most end user hardware, including desktops and mobile devices. However, more work is needed to ensure that all servers are appropriately configured. Additionally, we found DCBS

³ Privileged access refers to the ability of some users to take actions that may affect computing systems, network communications, or the accounts, files, data, or processes of other users. Privileged access implies greater access than the average end user has.

lacks appropriate tools to monitor and automatically redeploy system configurations if settings are inadvertently or maliciously changed.

Organizations should have processes in place to ensure hardware and software are securely configured. This should include verifying that default configurations align with business and security needs to ensure that agency systems are not left vulnerable to attack. The agency should also have configuration management processes in place that address implementing secure system control features at the initiation of the system life cycle. An organization should ensure configurations remain secure as modifications are made to the system. Baselines should be documented so agency personnel can effectively monitor actual configurations to ensure they align with established baselines. Policies and procedures should be in place that address how configuration baselines are managed.

CIS Control™ 6: Maintenance, Monitoring, and Analysis of Audit Logs



We reviewed DCBS' processes for collecting, managing, and analyzing audit logs of events that could help detect, understand, or recover from an attack. We found logging enabled for most workstations, servers, and network devices. However, we determined that these logs were reviewed on an ad-hoc basis and that not all logs contained the necessary information to fully analyze potential threats.

Additionally, DCBS was found to have centralized logging for some, but not all, devices, and the retention period for all logs was insufficient to meet the statewide standard of three years. Furthermore, the agency relies on two time sources provided by EIS' Data Center Services to ensure audit log time stamps are accurate and has not established a third independent time source as required by the CIS Controls.

Robust logging and log monitoring processes allow organizations to identify and understand inappropriate activity and recover more quickly from an attack. Deficient logging may allow attackers and malicious activity to go undetected for extended periods. Moreover, attackers know that many organizations rarely review log information, allowing attacks to go unnoticed. Agencies should ensure that information systems record complete information for each event. Additionally, processes should be established to ensure these logs are reviewed in a timely fashion to identify inappropriate or unusual activity and remediate security events.

Recommendations

To improve critical cybersecurity controls, we recommend DCBS, in cooperation with CSS:

1. Fully implement an agency security management program to include an established framework and continuous cycle of activity for assessing and mitigating risk, developing and implementing effective security controls and procedures, monitoring the effectiveness of those procedures, and ensuring agency security plans address current IT risks. Track deficiencies and have a plan of action to remediate prior noted risks by external assessments or audits.
2. Remedy weaknesses with CIS Control #1 — Hardware Inventory — by developing written policies and procedures, automating asset discovery and inventory, and implementing hardware authentication controls.
3. Remedy weaknesses with CIS Control #2 — Software Inventory — by developing written policies and procedures, implementing tracking and documentation of approved software and software versions, automating the documentation of DCBS' inventory, ensuring software is supported by its vendor, integrating hardware and software inventories, and implementing software whitelisting.
4. Remedy weaknesses with CIS Control #3 — Vulnerability Assessment — by developing formal policies and procedures, and formally monitoring and tracking the status of identified vulnerabilities to ensure timely remediation.
5. Remedy weaknesses with CIS Control #4 — Privileged Access — by creating processes and procedures for granting privileged access, reviewing privileged access regularly to verify it remains appropriate, maintaining an inventory of administrative accounts, implementing multifactor authentications for all administrative access, and ensuring alerts associated with administrative account activities are timely sent to appropriate staff.
6. Remedy weaknesses with CIS Control #5 — Secure Configurations — by establishing secure configurations for all workstations, servers, and network devices. Establish appropriate monitoring and alerts to ensure all changes to configurations are authorized and appropriate.
7. Remedy weaknesses with CIS Control #6 — Audit Logs — by establishing an adequate number of independent time sources, increasing available log storage size to meet statewide standards, ensuring detailed logging includes all required fields, developing a central logging solution for all agency devices, utilizing available log analytic tools, and automating and formalizing processes for log review for all domains.

Objective, Scope, and Methodology

Objective

Our audit objective was to determine the extent to which DCBS has implemented an appropriate IT security management program as well as selected controls from the Center for Internet Security's CIS Controls™, version 7.1.⁴ These controls are a prioritized set of actions that collectively form a defense-in-depth set of best practices to help protect systems and networks from the most common attacks.⁵

Scope

The scope of this work included a review of security management based on FISCAM Security Management criteria, and the first six of the 20 CIS Controls™ in place at DCBS during the second and third quarters of 2021. Cybersecurity experts generally agree that these six “basic” controls should be implemented by all organizations for cyber defense readiness.

Methodology

To assess whether management has established policies and implemented controls to stop cyberattacks that may target the agency, we:

Reviewed:

- IT Policies and procedures;
- External IT risk assessments and audits;
- Hardware asset inventory lists;
- Software asset inventory lists;
- Privileged user access lists; and
- Network diagrams.

Observed:

- Configuration settings;
- Vulnerability scan results;
- Patch management;
- Software installed on workstations; and
- IT processes and ad-hoc activities.

Interviewed:

- IT staff;
- IT managers;
- DCBS' Chief Information Officer; and
- Executive leadership.

⁴ [Center for Internet Security CIS Controls.](#)

⁵ Defense-in-depth refers to the application of multiple countermeasures in a layered or stepwise manner to achieve security objectives.

We considered the risks posed by publicly releasing any information related to security findings. We balanced the need for stakeholders, such as the Legislature, to be informed on critical or systemic IT security issues affecting the State against the need to protect the agency from additional threats. Consequently, in accordance with ORS 192.345(23) and generally accepted government auditing standards, we removed some details of the security weaknesses from the report and provided agency management and EIS a confidential appendix with additional detail and context.

Internal control review

We determined that the following internal controls were relevant to our audit objective.⁶

- Security Management
 - Establish a security management program;
 - Periodically assess and validate risks;
 - Document and implement security control policies and procedures;
 - Implement effective security awareness and other security-related personnel policies;
 - Monitor the effectiveness of the security program;
 - Effectively remediate information security weaknesses; and
 - Ensure that activities performed by external third parties are adequately secure.
- Inventory and Control of Hardware Assets
 - Actively manage (inventory, track, and correct) all hardware devices on the network so that only authorized devices are given access, and unauthorized and unmanaged devices are found and prevented from gaining access.
- Inventory and Control of Software Assets
 - Actively manage (inventory, track, and correct) all software on the network so that only authorized software is installed and can execute, and that all unauthorized and unmanaged software is found and prevented from installation or execution.
- Continuous Vulnerability Management
 - Continuously acquire, assess, and take action on new information in order to identify vulnerabilities, remediate, and minimize the window of opportunity for attackers.
- Controlled Use of Administrative Privileges
 - The processes and tools used to track/control/prevent/correct the use, assignment, and configuration of administrative privileges on computers, networks, and applications.
- Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers
 - Establish, implement, and actively manage (track, report on, correct) the security configuration of mobile devices, laptops, servers, and workstations

⁶ Auditors relied on standards for internal controls from the U.S. Government Accountability Office, report [GAO-14-704G](#).

using a rigorous configuration management and change control process in order to prevent attackers from exploiting vulnerable services and settings.

- Maintenance, Monitoring and Analysis of Audit Logs
 - Collect, manage, and analyze audit logs of events that could help detect, understand, or recover from an attack.

Deficiencies with these internal controls were documented in the results section of this report. Other elements of internal control were not deemed necessary to achieve the objective of the audit and were excluded from scope.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DCBS and EIS during the course of this audit.

Audit team

Teresa Furnish, CISA, Audit Manager
Matthew Owens, MBA, CISA, Principal Auditor
Karin Bryant, Staff Auditor
Sheila Faulkner, Staff Auditor

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.



Oregon

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October 28, 2021

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

Director Memmott:

This letter provides a written response to the Audits Division's final draft audit report titled "Department of Consumer and Business Services Cybersecurity Controls Audit."

The Department of Consumer and Business Services (DCBS) appreciates the collaboration demonstrated by the Secretary of State (SOS) during the performance of this audit. We appreciate your partnership and thank you for recognizing where good work is already being done. We welcome the findings in the report as areas for further improvement and are committed to working with our central state partners to fully implement a mature cybersecurity framework.

DCBS complies with Oregon's cybersecurity standards, either through full compliance, mitigating controls, or risk acceptance (particularly in areas outside of DCBS control). As with any government entity, DCBS experiences many attempts to probe our external systems, but successfully identifies and stops these attempts. DCBS has also uncovered and remediated hundreds of software code vulnerabilities to lower the risks of attackers exploiting our applications. DCBS has not had any cybersecurity incidents that have resulted in data breaches or significant system outages in the past five years.

As is typical within any risk management framework and across the state enterprise, some minor risks are accepted in which data and privacy protection are not at stake. These occasional risks are accepted to maintain business operations and address business-side resource or partner constraints. Past audits and assessments accounted for organizational maturity and risk acceptance to temper resultant grading.

The inherent challenges faced by DCBS are similar to other Oregon state organizations. Maturing the DCBS cybersecurity program requires that the organization increase the available resources (staffing and tools), particularly around threat and risk assessment, documentation, inventory detection and management, and monitoring. During this audit, DCBS took active steps to update its existing risk tracking, perform remediation task prioritization, and complete or begin work on several additional (to work already in flight) cybersecurity process and procedure improvements.

DCBS is fully committed to continuing to improve its security stance, protect state systems and data, and reduce risk. As outlined below, we have already responded to several audit findings. We are also establishing an executive oversight committee, led by the agency director and deputy director, to meet regularly with program staff and track compliance with a project plan that will respond to all audit findings. DCBS takes its responsibility as a steward of state systems and data very seriously and appreciates the areas for improvement identified through this audit.

Below is our detailed response to each recommendation in the audit.

RECOMMENDATION 1		
Fully implement an agency security management program to include an established framework and continuous cycle of activity for assessing and mitigating risk, developing and implementing effective security controls and procedures, monitoring the effectiveness of those procedures, and ensuring agency security plans address current IT risks. Track deficiencies and have a plan of action to remediate prior noted risks by external assessments or audits.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	Deficiency tracking: complete Controls/procedures: mid-2022 Full program: end-2023	Dane Wilson 971-718-2374

Narrative for Recommendation 1

DCBS has an active security management program performed by a risk and compliance analyst and fractions of additional operational staff. Included in this program are an active and creative security awareness program, threat exercise program, incident response plan and playbook, and IT security governance. DCBS also engages in active solution vetting and risk assessments (cloud workbooks, for instance) not measured by the SOS audit, but required by the Cybersecurity Services office (CSS) and the Department of Administrative Services (DAS) Procurement office.

DCBS assesses risk areas operationally and then applies work efforts and operational processes to address risks. This leads to well-protected and monitored environments, while working within the resources available to DCBS.

To make incremental, but continuous, improvement within its resources, DCBS uses severity prioritization to address identified risks and mitigations. DCBS also continuously engages with CSS and leverages CSS programs, utilities, materials, and assessments. Work to improve the DCBS cybersecurity stance has been continuous since June 2016.

DCBS agrees its cybersecurity program can be improved. Based upon this audit, an updated remediation matrix has been created and serves as a tool to log assessment and prioritization of tasks and tracking towards completion. The matrix also facilitates conversations about the progress needed.

DCBS will continue its partnership with EIS and CSS, and speak to the Legislature about the needed resources to accomplish the maturing of its security management program. If no additional resources are forthcoming, DCBS will consult with CSS for guidance on how to best proceed.

RECOMMENDATION 2		
Remedy weaknesses with CIS Control #1 — Hardware Inventory — by developing written policies and procedures, automating asset discovery and inventory, and implementing hardware authentication controls.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	Procedures, improved asset discovery/inventory: end-2022 Fully complete: mid-2023	Dane Wilson 971-718-2374

Narrative for Recommendation 2

DCBS is actively working on documenting existing processes and procedures.

DCBS will require new tools and staffing to identify, implement, and operate automated asset discovery, inventory, and hardware authentication. DCBS may have to make organizational process and procedure changes to facilitate a more centralized approach. This is also an enterprise problem and may require partnership with EIS, CSS, and Data Center Services (DCS) to complete.

DCBS agrees this area can be improved. DCBS will develop and implement improved hardware inventory strategies that include an appropriate mix of tools, policies/procedures, and controls by December 2022. This process will mature over time and be carried out in consultation with CSS and input from other Oregon organizations as partners and resources for solutions.

RECOMMENDATION 3
Remedy weaknesses with CIS Control #2 — Software Inventory — by developing written policies and procedures, implementing tracking and documentation of approved software and software versions, automating the documentation of DCBS’ inventory, ensuring software is supported by its vendor, integrating hardware and software inventories, and implementing software whitelisting.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	Procedures, approved software, tracking support: end-2022 Fully complete: end-2023	Dane Wilson 971-718-2374

Narrative for Recommendation 3

DCBS is a large agency with multiple lines of business, each with its own program controls, goals, and requirements. This increases the DCBS software portfolio. For instance, DCBS must acquire and support tools used to review building plans, conduct bank examinations, or create work safety training videos.

DCBS already has a software purchasing/vetting process and is restricting allowed mobile device software leveraging our mobile device management (MDM) tool.

Much like recommendation No. 2, continued process improvement will require new or expanded use of existing tools and staffing to identify, implement, and operate automated software discovery, inventory, and track vendor support of products. DCBS may have to make organizational process and procedure changes to facilitate a more centralized approach. This is also an enterprise problem and may require partnership with EIS, CSS, and DCS to complete.

DCBS agrees this area can be improved. DCBS will develop and implement software inventory strategies that include an appropriate mix of automated tools, policies/procedures, and controls by December 2022. This process will also mature over time and in consultations with CSS and input from other Oregon organizations.

RECOMMENDATION 4		
Remedy weaknesses with CIS Control #3 — Vulnerability Assessment — by developing formal policies and procedures, and formally monitoring and tracking the status of identified vulnerabilities to ensure timely remediation.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	VM plan: mid-2022 Fully complete: end-2022	Dane Wilson 971-718-2374

Narrative for Recommendation 4

DCBS relies on the CSS vulnerability scanning service. DCBS does not control when CSS reports on vulnerabilities, particularly in relation to system patching for systems hosted at the DCS facilities. This means that monthly reported vulnerabilities are often remediated within the next patching cycle. Enterprise maturity or reporting adjustments may be needed for DCBS to demonstrate improved compliance.

DCBS does initiate separate internal scanning using the same CSS scanning tool. DCBS staff members regularly monitor its systems and platforms, along with consulting industry resources to identify vulnerabilities. Ongoing work occurs to regularly address known vulnerabilities.

User authentication is necessary to access nearly all DCBS data and services. DCBS leverages its virtual computing environment access control and user authentication to provide remote access, multi-factor authentication (MFA), and segmented privileges. DCBS can detect attackers’ scans and maintains a high level of vigilance on all systems that are Internet accessible. Most DCBS non-Internet accessible and data resources are protected by layers and are not typically susceptible to external scans; however, support staff monitor them, as well.

DCBS agrees this area can be improved. In partnership with CSS and DCS, DCBS will develop a vulnerability management program plan by April 2022 and implement vulnerability assessment strategies that include an appropriate mix of tools, policies/procedures, and controls that align with the agency’s computing and staff resources. DCBS will also improve its monitoring of vendors to ensure remediations and maintenance are applied and operational. This is another area that will mature over time as resources are brought to bear and additional enterprise progress is made.

RECOMMENDATION 5		
Remedy weaknesses with CIS Control #4 — Privileged Access — by creating processes and procedures for granting privileged access, reviewing privileged access regularly to verify it remains appropriate, maintaining an inventory of administrative accounts, implementing multifactor authentications for all administrative access, and ensuring alerts associated with administrative account activities are timely sent to appropriate staff.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	Processes, review, and inventory: mid-2022 Fully complete: mid-2023	Dane Wilson 971-718-2374

Narrative for Recommendation 5

User authentication is necessary to access nearly all DCBS data and services. DCBS leverages its virtual computing environment access control and user authentication to provide remote access, MFA, and segmented privileges.

DCBS has prioritized expanding our implementation of MFA. Implementing MFA on DCBS computing resources that are not accessible outside of the DCBS network or to general staff is in progress. This was started before the SOS audit. During the audit period and since, DCBS has continued to advance the number of internal systems that require MFA.

DCBS has also completed an access control project to define role-based access groups across the department. Software requirements were created and proof-of-concept efforts to test software tools were accomplished. Acquisition and implementation of a new access control tool is on hold due to resource constraints.

DCBS agrees this area can be improved. DCBS will assess the resources needed to make improvements. Meanwhile, DCBS will consult with CSS and improve its hybrid manual/automated processes.

RECOMMENDATION 6		
Remedy weaknesses with CIS Control #5 — Secure Configurations — by establishing secure configurations for all workstations, servers, and network devices. Establish appropriate monitoring and alerts to ensure all changes to configurations are authorized and appropriate.		
Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	Configuration strategy: end-2022 Fully complete: mid-2023	Dane Wilson 971-718-2374

Narrative for Recommendation 6

DCBS centrally creates, tests, and deploys workstation images. Server images are provided by DCS or derived from the DCS base image for servers managed by DCBS. DCBS leverages the state’s network services, so it does not manage network device images.

Improvement in this area will require staff time to enhance the agency’s use of existing tools, identify additional tool capabilities, and implement and operate automated configuration management. DCBS may have to make organizational process and procedure changes to facilitate a more centralized approach. This is also an enterprise problem and may require partnership with EIS, CSS, and DCS to complete.

DCBS agrees this area can be improved. DCBS will develop and implement configuration management strategies that include an assessment of automated tools, completion of written policies/procedures, and consultation with CSS about next steps.

RECOMMENDATION 7
Remedy weaknesses with CIS Control #6 — Audit Logs — by establishing an adequate number of independent time sources, increasing available log storage size to meet statewide standards, ensuring detailed logging includes all required fields, developing a central logging solution for all agency devices, utilizing available log analytic tools, and automating and formalizing processes for log review for all domains.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	Time sources, log storage, fields: end-2022 Fully complete: mid-2023	Dane Wilson 971-718-2374

Narrative for Recommendation 7

DCBS partners with CSS to coordinate security event monitoring services using the CSS security analytics tool.

DCBS staff regularly analyze the logs of critical systems to be on the lookout for errors and non-standard activity. DCBS employs a log analysis tool to enhance this work and is setting up dashboards in the tool to enhance log analysis and alerting even more.

DCBS agrees this area can be improved. DCBS will re-examine the state standards on log retention and content, and correct any deviations in our current practices. DCBS does not possess a central logging solution for all devices. This is most likely also an enterprise problem and may require partnership with EIS, CSS, and DCS to complete.

If you have any questions, please contact DCBS Chief Information Officer Dane Wilson at 971-718-2374.

Kind regards,



Andrew R. Stolfi

Director

Department of Consumer and Business Services



Secretary of State
Shemia Fagan

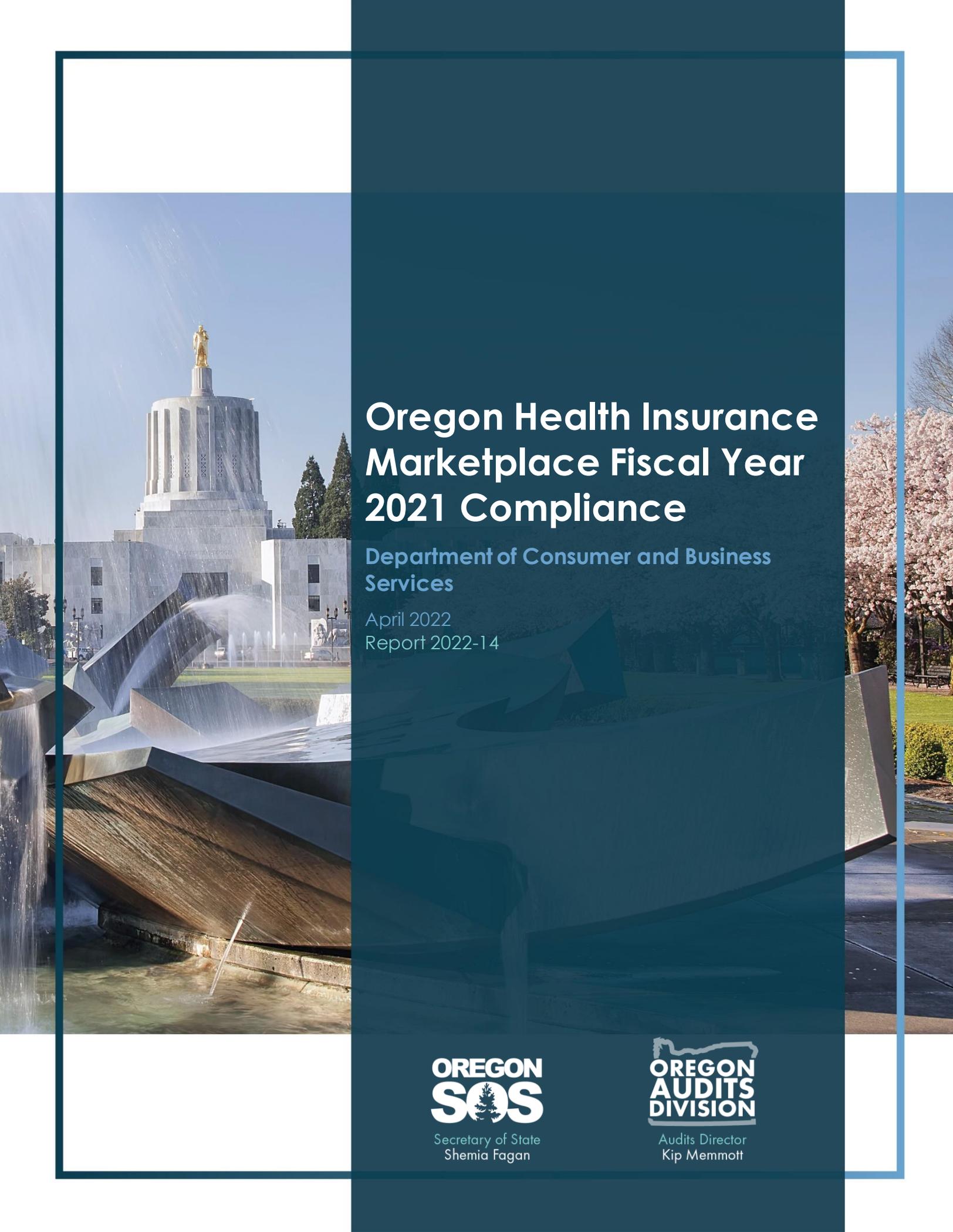


Audits Director
Kip Memmott

This report is intended to promote the best possible management of public resources.
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The background of the cover features a photograph of the Oregon State Capitol building, a large neoclassical structure with a prominent dome topped by a golden statue. In the foreground, a modern, abstract fountain with multiple tiers of water spraying out is visible. The scene is set in a park-like area with green lawns and trees, including some with pink blossoms on the right side. The entire image is overlaid with a dark teal semi-transparent rectangle that contains the text.

Oregon Health Insurance Marketplace Fiscal Year 2021 Compliance

Department of Consumer and Business Services

April 2022
Report 2022-14



Secretary of State
Shemia Fagan



Audits Director
Kip Memmott

Introduction

Background

In March 2015, Senate Bill 1 designated the Department of Consumer and Business Services to operate Oregon's health insurance exchange — an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage.

The Oregon Health Insurance Marketplace (OHIM) is one of only three¹ state-based exchanges that uses the federal marketplace platform for eligibility and enrollment (referred to as a SBE-FP).

Complying with the Code of Federal Regulations (CFR) is important to ensure state health exchanges are functioning to allow eligible citizens to enroll in qualified health plans.

Under the terms of the SBE-FP agreement, OHIM is responsible for educating consumers, working with agents and community partners providing consumer assistance, certifying qualified health plans, and maintaining the integrity of data and the security of personal information.

Audit Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to conduct the following for the fiscal year ended June 30, 2021:

- Verify OHIM's compliance with programmatic requirements set forth by 45 CFR part 155;
- Report on compliance as directed by the Centers for Medicare & Medicaid Services (CMS); and
- Fulfill the requirements of a performance audit as directed in Oregon Revised Statute 741.220.

Scope

We performed this audit of the state fiscal year ended June 30, 2021, in accordance with the requirements of 45 CFR part 155 as directed by CMS and clarified by the SBE-FP agreement. Because Oregon utilizes the federal platform for enrollment and eligibility, our scope was limited to verifying compliance with those sections of 45 CFR part 155 applicable to the structure of OHIM as a SBE-FP as follows:

Subpart C — General Functions of an Exchange

¹ As of November 1, 2021, per CMS.gov

- .205 Consumer assistance tools and programs of an Exchange
- .210 Navigator program standards
- .220 Ability of States to permit agents and brokers to assist qualified individuals, qualified employers, or qualified employees enrolling in Qualified Health Plans (QHPs)
- .225 Certified application counselors
- .260 Privacy and security of personally identifiable information

Subpart K — Exchange Functions: Certification of QHPs

- .1000 Certification standards for QHPs
- .1010 Certification process for QHPs
- .1020 QHP issuer rate and benefit information
- .1030 QHP certification standards related to advance payments of the premium tax credit and cost-sharing reductions
- .1040 Transparency in coverage
- .1045 Accreditation timeline
- .1050 Establishment of Exchange network adequacy standards
- .1055 Service area of a QHP
- .1065 Stand-alone dental plans
- .1075 Recertification of QHPs
- .1080 Decertification of QHPs

Methodology

We performed our audit of OHIM's performance by comparing actual operations, practices, and results against the stated requirements of 45 CFR part 155, subparts C and K, and the federal platform agreement with CMS, identifying the specific exchange functions for which Oregon is responsible. We interviewed OHIM personnel and reviewed customer and community partner resources on OHIM's website. We performed a review and analysis of OHIM documentation including contracts, agreements, and policies and procedures applicable to the compliance objectives.

We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Audit Results

General Functions of an Exchange (Subpart C)

Consumer Assistance Programs

Criteria: OHIM is required, under 45 CFR part 155.205, to establish a toll-free telephone hotline, an up-to-date website, accessibility for individuals with disabilities and those with limited English proficiency, consumer assistance performed by trained assisters, and outreach and education.

Methodology: We reviewed information posted on OHIM's website, the operation of the toll-free telephone hotline, accessibility, training of assisters, and outreach and educational activities.

Navigator Program

Criteria: OHIM is required, under 45 CFR part 155.210(a), to establish a navigator program through which it awards grants to eligible entities or individuals. OHIM has established community partner and agent partner programs that provide grants to nonprofit and community organizations and insurance agencies to provide education, outreach, enrollment, and marketing activities. As a SBE-FP, OHIM must ensure that navigators and partners complete required training and comply with rules of conduct and applicable statutory and regulatory requirements, including consumer assistance, outreach and education, and privacy and security requirements.

Methodology: We reviewed community partner grant contracts to ensure they included required training for key personnel and required privacy and security of personally identifiable and health information. Grantees and partners provide metric reports to OHIM on the outcome of outreach, education, and enrollment activities. We reviewed a selection of these metric reports to ensure they verified participation in these activities.

Agents and Brokers

Criteria: Agents and brokers who assist with enrollment in QHPs must obtain training and register with the federal exchange in advance of providing assistance with enrollment. In accordance with 45 CFR part 155.220, OHIM must limit information provided on its website to include only licensed agents and brokers who have completed training and are registered with CMS.

Methodology: We reviewed a sample of 25 agents and brokers listed on OHIM's "Find Local Help" website for compliance with training and registration requirements.

Certified Application Counselor Program

Criteria: OHIM must have a certified application counselor (CAC) program that complies with 45 CFR part 155.225, and may designate an organization to ensure staff members and volunteers

are certified to act as CACs. OHIM has designated the Oregon Health Authority (OHA) to assist with administering the community partner program and overseeing CACs.

Under this program, volunteers and staff at local nonprofits or other organizations provide assistance with enrollment. These individuals must complete the required training and certification to perform this function.

Methodology: We reviewed the contract executed between OHIM and OHA for inclusion of federal requirements to train and certify the volunteers and staff of community partners as CACs before providing assistance with QHP applications.

Privacy and Security Safeguards

Criteria: OHIM must establish and implement privacy and security standards and safeguards for personally identifiable information (PII) that are consistent with the principles listed in 45 CFR part 155.260.

Methodology: We reviewed the types of PII OHIM receives, reviewed OHIM policies and procedures, data sharing agreements with partner agencies and CMS, contract agreements, and agency-wide security measures put in place to safeguard unauthorized access to PII.

Conclusion

Based on our review of operations during fiscal year ended June 30, 2021, OHIM complied with requirements applicable to state-based marketplaces using a federal platform under 45 CFR part 155, subsection C.

Exchange Functions: Certification of Qualified Health Plans (Subpart K)

Certification, Recertification, and Decertification of Qualified Health Plans

Criteria: OHIM must establish procedures to certify, recertify, and decertify QHPs consistent with 45 CFR part 155.1000-.1080. OHIM must certify the plans prior to the beginning of open enrollment. If a carrier is no longer in compliance with exchange participation requirements, OHIM may decertify a carrier's plans.

Methodology: We reviewed OHIM's procedures for certifying, recertifying, and decertifying QHPs and insurance carriers. We reviewed the filings of the six carriers offering plans in OHIM for plan year 2021 to verify the carrier's plans were certified prior to open enrollment, and the carrier was licensed to sell insurance in Oregon. No plans were decertified for plan year 2021.

QHP Issuer Justification for Rate Increases

Criteria: OHIM must ensure that QHP issuers submit justification for rate increases in accordance with 45 CFR part 155.1020 prior to increasing rates. OHIM must review and approve the rate increase and provide access to the justification on its website.

Methodology: We reviewed rate increase justifications submitted by the six QHP carriers in OHIM to ensure OHIM reviewed the increases and made the justifications available on their website as required.

Conclusion

Based on our review of operations during fiscal year ended June 30, 2021, OHIM complied with requirements applicable to state-based marketplaces using a federal platform under 45 CFR part 155, subsection K.

About the Audit

The courtesies and cooperation extended by officials and employees of the Department of Consumer and Business Services during the course of this engagement were commendable and sincerely appreciated.

Audit team

Mary Wenger, CPA, Deputy Director
Sarah Anderson, CPA, Audit Manager
Synthea Russell, CPA, Senior Auditor

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.



Secretary of State
Shemia Fagan



Audits Director
Kip Memmott

This report is intended to promote the best possible management of public resources.
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sos.oregon.gov/audits

Oregon Health Insurance Marketplace

FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021



Department of Consumer and Business Services
350 Winter St. NE
Salem, OR 97309

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Independent Auditor's Report

The Honorable Kate Brown
Governor of Oregon

Andrew Stolfi
Director, Oregon Department of Consumer and Business Services

Report on the Financial Statements

We have audited the accompanying financial statements of the Oregon Health Insurance Marketplace, a governmental fund of the State of Oregon, Department of Consumer and Business Services, as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oregon Health Insurance Marketplace, a governmental fund of the State of Oregon, Department of Consumer and Business Services, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Oregon Health Insurance Marketplace a governmental fund of the State of Oregon, Department of Consumer and Business Services, and do not purport to, and do not, present fairly the financial position of the State of Oregon or the Department of Consumer and Business Services as of June 30, 2021, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, on our consideration of the Department of Consumer and Business Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department of Consumer and Business Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon Health Insurance Marketplace's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
April 28, 2022

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Balance Sheet
Governmental Fund
June 30, 2021

ASSETS	<u>2021</u>
Cash and Cash Equivalents	\$ 5,767,246
Accounts Receivable	299,688
Total Assets	\$ <u>6,066,934</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 25,150
Due to Other Funds	100,965
Other Current Liabilities	166,779
Total Liabilities	<u>292,894</u>
Fund Balance:	
Restricted for Health Insurance Marketplace	<u>5,774,040</u>
Total Fund Balance	<u>5,774,040</u>
Total Liabilities, and Fund Balance	\$ <u>6,066,934</u>

The notes to the financial statements are an integral part of this statement.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund

For the Year Ended June 30, 2021

Revenues:	<u>2021</u>
Assessments	\$ 6,326,278
Interest and Investments	70,841
Federal Revenue	<u>31,569</u>
Total Revenues	<u>6,428,688</u>
Expenditures:	
Current:	
Salaries and Wages	2,353,076
Services and Supplies	2,375,843
Special Payments	<u>656,664</u>
Total Expenditures	<u>5,385,583</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>1,043,105</u>
Other Financing Sources (Uses):	
Transfer to General Fund (Note 7)	<u>(3,800,000)</u>
Total Other Financing Sources (Uses):	<u>(3,800,000)</u>
 Net Change in Fund Balance	 <u>(2,756,895)</u>
 Fund Balances - Beginning	 8,480,199
 Prior Period Adjustment (Note 9)	 <u>50,736</u>
Fund Balances - Adjusted	<u>8,530,935</u>
Fund Balances - Ending	\$ <u>5,774,040</u>

The notes to the financial statements are an integral part of this statement.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

A – Purpose of Organization

The Patient Protection and Affordable Care Act (ACA) of 2010 required each state to establish a health insurance marketplace, an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage. States were permitted to implement their own marketplaces (referred to as state-based marketplaces or SBMs), choose to have a hybrid marketplace (referred to as state-based marketplaces using the federal platform or SBM-FPs), or states could elect to participate in the federal marketplace (referred to as the federally facilitated marketplace or FFM). Oregon first elected to implement a state-based marketplace to meet the unique needs of Oregonians and its insurance market. In late 2014, Oregon transitioned into a SBM-FP.

In 2011, Senate Bill 99 established the Oregon Health Insurance Exchange Corporation (Cover Oregon) as a public corporation to be governed by a board of directors. Upon implementation, Cover Oregon was fully dependent on federal grant funding for its operational expenditures through Dec. 31, 2014, and partially thereafter.

In 2015, SB 1 abolished Cover Oregon and its board of directors, and transferred its duties, functions, and powers to the Department of Consumer and Business Services (DCBS), an existing state agency. The SBM-FP, within DCBS – Oregon Health Insurance Marketplace (OHIM) – currently is fully self-funded, using per-member-per-month (PMPM) assessments for operations. These financial statements are representative of OHIM only, a program within DCBS.

SB 1 also established the Health Insurance Exchange Fund, also known as the Marketplace Fund. Oregon Revised Statute 741 restricts the use of these funds to the operation of OHIM. The Marketplace Fund is a special revenue fund that is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The activities of this fund are rolled up into the Consumer Protection special revenue fund for the statewide financial reporting purposes.

B – Basis of Accounting

The accompanying financial statements of the Oregon Health Insurance Marketplace are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America for governmental funds.

Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal year. Expenditures

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2021

generally are recognized when a liability is incurred, as under accrual accounting. Revenues for OHIM come from PMPM assessments from insurance carriers that participate in the OHIM program.

Accordingly, revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of when cash was received or paid.

C – Deposits and Investments

Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents consist of cash and investments held by the office of the State Treasurer in the Oregon Short Term Fund (OSTF). Additional information about the OSTF can be found in the OSTF financial statements at

<https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>

D – Receivables & Payables

Receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectable accounts. Payables consist of amounts owed to vendors for operational expenditures and other state agencies for services received.

E – Use of Estimates

OHIM used estimates and assumptions in preparing financial statements in accordance with GAAP. The preparation of the financial statements required management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from the estimates included in the accompanying financial statements.

F – Fund Balance

The difference between assets and liabilities, plus deferred inflows of resources, is labeled “Fund Balance” on the financial statements. The Health Insurance Exchange Fund balance is restricted. Restricted fund balances are the result of constraints imposed by the law through constitutional provisions or enabling legislation or by parties outside state government, such as creditors, grantors, contributions, or laws or regulations of other governments.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2021

Note 2 – Deposits and Investments

OHIM Participation in the Oregon Short-Term Fund Held at Treasury

The Oregon State Treasury maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by the Marketplace Fund. Because the pool operates as a demand deposit account, the Marketplace Fund portion of the OSTF is classified on the financial statements as cash and cash equivalents.

Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, OHIM will not be able to recover deposits that are in the possession of an outside party. OHIM does not hold any deposits or investments outside of the Oregon State Treasury. Deposits held by the Oregon State Treasury are either insured or collateralized under the Public Funds Collateralization Program. For more information, refer to the Oregon State Treasury website at <https://www.oregon.gov/treasury/public-financial-services/public-depository-information/pages/default.aspx>. Banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

The OHIM bank balance at the Oregon State Treasury was \$4,939,724 as of June 30, 2021.

Investments

OHIM has investments only in OSTF held by the Oregon State Treasury.

Note 3 – Receivables and Payables

Receivables

The following table disaggregates receivable balances reported in the financial statements as accounts and other receivables at June 30, 2021.

Receivables		Accounts Receivable	Other Receivable	Total
Governmental Activities				
Insurer assessment receivable	\$	290,688	166,046	456,734
Allowance for doubtful accounts			(166,046)	(166,046)
McGuireWoods Reimbursement		9,000		9,000
Total Receivable, net	\$	299,688	-	299,688

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2021

Payables

The following table disaggregates payable balances reported in the financial statements as accounts payable and other current liabilities at June 30, 2021.

Payables		Accounts Payable	Other Current Liabilities	Total
Governmental Activities				
General Operation	\$	7,162	131,622	138,784
Special Payment		17,988	35,157	53,145
Total Payable	\$	25,150	166,779	191,927

Note 4 – Risk Management

OHIM is subject to the risk of loss from various events, including, but not limited to, natural disasters, destruction of assets, errors, omission, and injuries to employees. To mitigate the risk of loss from various events, OHIM participates in and is covered under the State of Oregon's self-insurance and commercial insurance program as administered by the Department of Administration Services (DAS) Enterprise Goods and Services Division, Risk Management Section. As such, OHIM is responsible to provide updated property, equipment, and fixture values to DAS Risk Management.

Note 5 – Assessment Revenue

Each year by March 31, the per-member-per-month medical and dental assessment rates need to be set for qualified health plans sold through the federal exchange. The rates are set to cover OHIM's planned expenditures for that plan year. There is a risk to assessment revenues from federal or legal actions that may reduce enrollment in qualified health plans. For calendar year 2020 and 2021, the rates will remain at \$5.50 for medical and 36 cents for dental. For calendar year 2022, the rates will remain at \$5.50 for medical and 36 cents for dental.

Note 6 – Insurance Providers Rebate

Oregon Revised Statute (ORS) 741.105(3)(b) limits OHIM's fund balance to six months of expenditures. Anything beyond six months of expenditures will be credited to insurers in a manner described in Oregon Administrative Rule (OAR) 945-030-0020. The distribution of the credit is based on the billing date and billed amounts during the 2017-19 biennium for firms that were offering plans through the end of the biennium. The monthly credit is the total rebate, per insurer, divided over 12 months. The 2019-21 biennium total rebate for insurance providers is \$4,163,015. Of the total 2019-21 biennium rebate, \$2,081,501 was for July through December 2020. The rebates have been applied to insurers' monthly invoices.

THE OREGON HEALTH INSURANCE MARKETPLACE (OHIM)

Notes to the Basic Financial Statements

For the Year Ended June 30, 2021

Note 7 – Fund Sweep

In 2019, the Oregon Legislature passed House Bill 2377. Section 5 of HB 2377 requires OHIM to transfer \$3,800,000 to the State of Oregon General Fund on May 31, 2021. This was completed by the program as directed in the bill.

Note 8 – Transfer of OHIM program to the Oregon Health Authority (OHA)

During the 2021 legislative session, Senate Bill 65 passed. This bill directed the transfer of the OHIM program, including its resources and liabilities, to the Oregon Health Authority (OHA). OHIM program staff expenses were transferred to OHA on July 1, 2021. DCBS and OHA entered an interagency agreement (IAA) for DCBS to continue administrative services to support OHIM during the 2021-2023 biennium to facilitate a smooth transition while ensuring that OHIM is able to complete a successful open enrollment season.

Note 9 – Prior Period Adjustment

Expenditure adjustments were made as part of the OHIM chargeback in fiscal year 2021. Some of the adjustments were for chargeback expenditures related to the prior fiscal year.

OHIM received Federal Coronavirus Relief Fund (CRF) reimbursement in fiscal year 2021. Some of the reimbursement was for fiscal year 2020 expenditures, and these were considered prior period adjustments for fiscal year 2021.

Chargeback Correction	(9,120)
CRF Reimbursement	59,856
	<u>50,736</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Kate Brown, Governor of Oregon

Andrew Stolfi, Director, Oregon Department of Consumer and Business Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oregon Health Insurance Marketplace (OHIM), a governmental fund of the State of Oregon, Department of Consumer and Business Services (the department), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise OHIM's basic financial statements, and have issued our report thereon dated April 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the department's internal control over financial reporting (internal control) related to OHIM as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements of the OHIM are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Office of the Secretary of State, Audits Division

State of Oregon

April 28, 2022

2023 DCBS Liquidated and Delinquent Accounts Receivable

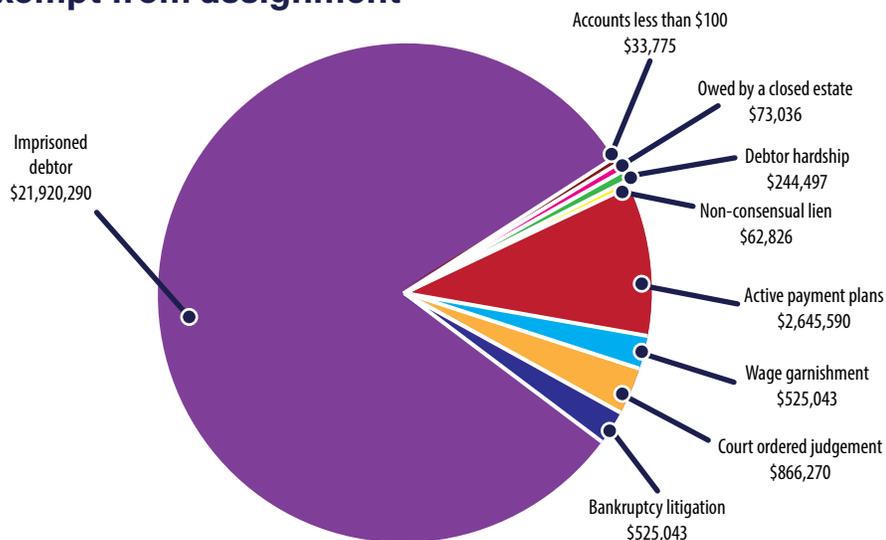
Liquidated and delinquent debt (L&D) reported as of end of fiscal year

	2019	2020	2021	2022
L&d beginning balance	\$125,052,143	\$57,434,696	\$98,929,816	\$124,589,039
Net additions (new accounts less collections)	\$3,343,564	\$62,988,819	\$34,819,253	\$7,436,021
Amount written-off	\$0	\$(488,554)	\$(4,610,605)	\$(1,437,631)
Reversal	\$(70,961,011)	\$(21,005,145)	\$(4,549,425)	\$(2,914,822)
Dcbs l&d ending balance	\$57,434,696	\$98,929,816	\$124,589,039	\$127,672,607
Assigned accounts	\$31,518,222	\$57,301,240	\$80,982,349	\$86,951,618
Unassigned accounts	\$865,097	\$10,874,114	\$15,567,099	\$13,786,705
Exempt accounts	\$25,051,377	\$30,754,462	\$28,039,591	\$26,934,284

The combined ending balance of \$127,672,607 for fiscal year 2022 is broken into three categories:

- \$86,951,618 is the total assigned to the Department of Revenue-Other Agency Accounts (DOR-OAA)
- \$13,786,705 is the total for unassigned accounts (all now assigned or exempt, see Page 2)
- \$26,934,284 is the total exempt from DOR-OAA assignment

Accounts exempt from assignment



Current status of year-end 2022 unassigned accounts

As of the end of fiscal year 2022, DCBS reported nearly \$13.8 million of unassigned liquidated and delinquent debt. About 80 percent of these accounts were previously assigned to the Department of Revenue and were returned to DCBS recommended for write-off. As of today, all of these funds have been reviewed again with \$12.4 million assigned to the Department of Revenue and \$1.3 million exempt from assignment. The table below shows the location of the unassigned accounts.

Assigned to Department of Revenue	\$12,446,536
At DCBS, exempt from assignment	\$1,340,169
Total previously unassigned	\$13,786,705

Debt remains unassigned at fiscal year end due to timing issues from when accounts are assigned to the DCBS Accounts Receivable Unit or returned to DCBS by the Department of Revenue. When these occur close to the end of the fiscal year, it can take extra time for the Accounts Receivable Unit to research the account and process the debt in accordance with the Oregon Accounting Manual.

Revenue collected

FY	DCBS	Department of Revenue	Total
2019	\$3,846,045	\$1,280,913	\$5,126,958
2020	\$516,826	\$1,103,495	\$1,620,321
2021	\$1,877,646	\$3,230,945	\$5,108,591
2022	\$1,353,261	\$5,310,437	\$6,663,698
Total	\$7,593,778	\$10,925,790	\$18,519,568

Since fiscal year 2019, DCBS has collected more than \$7.5 million, while the Department of Revenue has collected nearly \$11 million, for a total of about \$18.5 million.

Summary of Proposed Technology and Capital Constructions

Workers' Compensation Modernization Program

Program overview

DCBS is investing in a workers' compensation modernization program to transform business processes and technology solutions to meet the evolving needs of customers and partners in innovative ways. The Modernization Program goal is to improve delivery of core services and provide personalized and updated services that are flexible and adaptable to changing needs and requirements.

To achieve its goals, the Modernization Program will:

- Re-engineer and transform business processes
- Modernize technology with a centralized application for division employees
- Enhance internal and external stakeholder experiences
- Reduce regulatory burdens
- Expand usability for customers
- Improve reporting and data transparency
- Make business decisions on actual, not estimated data
- Support the governor's vision of customer service focused state government

Status

The department started initial planning toward modernization during the 2017-19 biennium. In late 2019 the program received Stage Gate One endorsement from Enterprise Information Services (the Office of the State Chief Information Officer).

In 2019, the legislature authorized us to hire a program manager and contract for services to identify a roadmap of potential technology projects. The final consultant recommendations gave a long-term modernization roadmap for the next decade. In the 2021-23 biennium, the legislature granted authority to continue the program planning process and to hire two information technology positions. These positions will build capacity to support existing programs, implement process improvement projects, and prepared systems for the first modernization project.

In September 2022, the Emergency Board authorized professional services contract to support a lengthy request for proposal (RFP) process to begin the first major project for a core system foundation. The contracted services will provide technical support for the RFP, as well as provide required information management quality assurance services. The Emergency Board also granted authority to fill two limited duration positions (project manager and change management analyst) to support the division in preparing for the first project.

The program is currently awaiting final approval of the first project charter by Enterprise Information Services which is the last document required for a Stage Gate One endorsement. We are also preparing the project management plan and other related artifacts required for Stage Gate Two approval. As part of the 2023-25 budget request, the division is asking to make the two limited duration positions permanent, as well as continuing the professional services to complete the RFP process. The budget request will be funded by premium assessments, and the cost was included in the workers' compensation insurance premium assessment rate for 2023.

Span of Control Ratios				
Division	Non-Supervisory Positions	Supervisory Positions	Total Number of Positions	Ratio
BCD	124	10	134	12.4:1
CSD	124	12	136	10.3:1
DFR	171	14	185	12.2:1
DO	34	3	37	11.3:1
OSHA	185	20	205	9.3:1
WCB	72	7	79	10.3:1
WCD	158	15	173	10.5:1
DCBS	868	81	949	10.7:1

Included	Not Included
Filled positions	Non-Budgeted Positions
Vacant, budgeted positions	Unpaid Board Member Positions

Agency Name: Department of Consumer and Business Services

2023-25 Biennium

Agency Number: 4400

Program 1

1	2	3	4	5	8	9	10	11	12	13	14	15	16	18	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Included as Reduction Option (Y/N)	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm/ Div														
0	0	DCBS	Shared Services	Shared administrative functions	16,652	-	50,938,839	3,605,299	-	-	\$ 54,560,790	167	166.50	N	
0	0	DCBS	IT&R	CSD - BLS Grant	-	-	-	-	360,746	-	\$ 360,746	0	0.00	N	
0	0	DCBS	WC NL	WC NL	-	-	-	800,000	-	-	\$ 800,000	0	0.00	N	
0	0	DCBS	WBF	WBF	-	-	-	180,912,434	-	-	\$ 180,912,434	0	0.00	N	
1	1	DCBS	OR-OSHA	Oregon OSHA Enforcement	-	-	36,023,606	-	9,694,641	-	\$ 45,718,247	136	135.50	N	Impact ability to administer Oregon Safe Employment Act (OSEA) via a comprehensive enforcement program that through inspections and accident/fatality investigations ensure occupational safety and health rules are carried out in workplaces. In addition, the state's ability to retain federal OSHA funding and state jurisdiction over worker health and safety would be impacted (State Plan).
2	1	DCBS	WCD	Workers' Compensation Division - WC Coverage/Compliance Non-complying Employer	-	-	14,586,757	-	-	-	\$ 14,586,757	52	49.80	N	Lack of enforcement actions will create more uninsured employers and lead to unfair competitive advantages for complying Oregon employers and delays in provision of benefits to eligible workers. Complying employers may have to pay more assessments to ensure that injured workers of noncomplying employers receive benefits to which they are entitled.
3	1	DCBS	BCD	Building Codes Division (BCD) Statewide Policy Development	9,678	-	8,914,005	-	-	-	\$ 8,923,683	25	25.00	N	This reduction would result in the elimination of Oregon's predictable regulatory environment for businesses, as well as the equal consumer protection provided by Oregon's statewide building code. It would eliminate the division's dispute resolution efforts that field approximately 800 calls per month from contractors and local governments with issues or questions about application of the code. The programs/activities have a statutory requirement under ORS 455. This reduction option eliminates 25 positions.
4	1	DCBS	DFR	Financial Institutions (Examination and analysis of Banks & Trusts, Credit Unions, and Insurance Institutions, provide policy support*, administer the Oregon Reinsurance Program)	-	-	16,399,616	-	32,957	-	\$ 16,432,573	47	47.00	N	The division would not be capable of meeting its statutory requirements for periodic examinations of insurance companies, banks, trust companies and credit unions. Our ability to provide guidance to companies would be limited.
5	2	DCBS	WCD	Workers' Compensation Division - Benefits	-	-	10,562,824	-	-	-	\$ 10,562,824	46	36.10	N	Workers may not receive timely and accurate benefits to which they are entitled.
6	2	DCBS	OR-OSHA	Oregon OSHA Voluntary Services	-	-	18,065,893	-	4,861,877	-	\$ 22,927,770	69	68.00	N	Impact ability to provide consultative services, voluntary programs (SHARP,VPP), outreach, technical assistance, conferences, and training to help employers identify hazards and work practices that could lead to injuries or illness and provide recommendations for correcting hazards and improving programs.
7	1	DCBS	WCB	Workers' Compensation Board	-	-	29,700,797	-	-	-	\$ 29,700,797	79	79.00	N	Elimination of positions/office closures would cause delays in case processing at both the Hearings Division and Board Review levels: i.e., increased hearing sets among ALJs, the timely issuance of O&Os, reduced availability for mediations, the issuance and review of Board Review orders, not meeting statutory requirements causing a reduction in service to users of our forum.
8	3	DCBS	WCD	Ombudsman for Injured Workers	-	-	1,751,181	-	-	-	\$ 1,751,181	6	6.00	N	Workers, particularly unrepresented workers, may not be aware of or receive benefits to which they are entitled.
9	2	DCBS	DFR	Product Regulation (Review and approval of insurer rates and policies, provide actuarial analysis, monitor insurer market conduct, conduct targeted exams and market intelligence analyses, provide policy support*, Drug Price Transparency Program, Prescription Drug Accountability Board)	51,646	-	18,853,100	-	-	-	\$ 18,904,746	54	54.00	N	The division would not be able to meet time and quality requirements in reviewing insurance policy documents for compliance with statutes. We would not be able to meet our obligations in setting health insurance rates for the individual and small group markets.
10	3	DCBS	DFR	Licensing/Registration and Non-depository Programs (Licenses/Registers regulated individuals and entities, provides policy support*, regulates non-depository financial products and funeral consumer protection trust)	-	-	9,749,378	694,911	-	-	\$ 10,444,289	28	28.00	N	
11	3	DCBS	DFR	Securities Regulation (License securities professionals and ensure securities registrations are fair, just and equitable, provide policy support*)	-	-	3,809,360	-	-	-	\$ 3,809,360	11	11.00	N	
12	4	DCBS	DFR	Consumer Advocacy and Education (Complaint Resolution and Outreach for all DFR programs)	-	-	9,103,724	-	-	-	\$ 9,103,724	26	26.00	N	We would not be able to meet our statutory responsibilities to provide assistance to Oregonian that have problems with a regulated entity. This would include not being able to provide educational information to help seniors identify financial scams.
13	5	DCBS	DFR	Enforcement and Investigations (Investigate violations and initiate administrative, civil, and criminal actions against those who violate the laws we enforce, provide policy support*)	-	-	6,650,238	-	-	-	\$ 6,650,238	19	19.00	N	This office will not be able to issue licensing to insurance agents, mortgage loan officer and companies and many others in a timely manner. The office also would not be able to register other businesses such as money transmitters, check cashers, consumer loan companies and other timely.

Agency Name: Department of Consumer and Business Services

2023-25 Biennium

Agency Number: 4400

Program 1

1	2	3	4	5	8	9	10	11	12	13	14	15	16	18	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description		GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Included as Reduction Option (Y/N)	Comments on Proposed Changes to CSL included in Agency Request
Agcy	Prgm/ Div														
14	2	DCBS	BCD	BCD Licensing & Enforcement	-	-	6,568,215	-	-	-	\$ 6,568,215	19	19.00	N	This reduction would result in the elimination BCD's license and enforcement programs for electricians, plumbers, boiler and pressure vessel installers, as well as building code inspectors. License issuance and enforcement responsibilities, if retained as requirements, would revert to the appropriate advisory boards which would need to be provided with administrative capabilities and staff to carry out the issuance of licenses and enforcement functions. The programs/activities have a statutory requirement under ORS 455, 479, 480 and 693. This reduction option eliminates 19 positions.
15	3	DCBS	BCD	BCD ePermitting	-	-	4,691,582	-	-	-	\$ 4,691,582	14	14.00	N	This reduction would result in the elimination of the statewide electronic permitting system administered by BCD that serves approximately 76 communities with more than 205,000 transactions initiated for contractors and construction businesses throughout the state in 2021. The electronic system would be decommissioned, leaving the served communities to develop their own electronic system, contract for the service, or revert to non-electronic. The programs/activities have a statutory requirement under ORS 455.095 and 455.097. This reduction option eliminates 14 positions.
16		DCBS	WCD	Workers' Compensation Division - Dispute Resolution - part 2	-	-	7,695,192	-	-	-	\$ 7,695,192	0	0.00	N	Administrative dispute resolution processes will not be available to workers and other parties, leading to increased litigation and costs to the system. There may be and delays in workers receiving benefits and medical treatment to which they are entitled.
		DCBS	WCD	Workers' Compensation Division - Dispute Resolution - part 1			6,891,566				\$ 6,891,566	45	50.60	N	Administrative dispute resolution processes will not be available to workers and other parties, leading to increased litigation and costs to the system. There may be and delays in workers receiving benefits and medical treatment to which they are entitled.
17	5	DCBS	WCD	Workers' Benefit Fund- Reemployment Assistance	-	-	4,526,925	-	-	-	\$ 4,526,925	8	14.75	N	Fewer injured workers will be able to return to work and those who do will have less opportunity for full wage recovery. Employers' claims costs will increase for wage replacement benefits because fewer workers will be able to return to work quickly.
18	6	DCBS	WCD	Workers' Benefit Fund - Retroactive and Other Benefits	-	-	4,526,925	-	-	-	\$ 4,526,925	16	15.75	N	There will be reduced accountability for the expenditure of public funds and increased potential for fraudulent and inaccurate payments.
19	2	DCBS	Shared Services	5% Shared Services	-	-	2,829,936	-	-	-	\$ 2,829,936	0	0.00		
20	4	DCBS	BCD	BCD Training and Outreach	-	-	3,284,107	-	-	-	\$ 3,284,107	9	9.00	N	This reduction would result in the elimination of the consistent and uniform regulatory environment related to training and education requirements for building officials, inspectors and plan reviewers. It would remove the division's ability to establish statewide consistency through consistent training of building code professionals. It would also eliminate our ability to provide additional training options to local government through web-based continuing education program opportunities for inspectors, planners, designers, and contractors. The program/activity has a statutory requirement under ORS 446, 447, 455, 460, 479, 480, and 693. This reduction option eliminates 9 positions.
21	7	DCBS	WCD	Small Business Ombudsman	-	-	679,841	-	-	-	\$ 679,841	2	2.00	N	More employers may become noncomplying because they will have no advocate to assist them with obtaining required coverage. Employers who have disputes with their insurer about premiums or coverage will not have a resource to answer questions, or advocate on their behalf
22	8	DCBS	WCD	Workers' Compensation - Performance Management Team	-	-	1,508,975	-	-	-	\$ 1,508,975	5	5.00	N	The division will have reduced and impaired ability to consistently improve processes and complete needed projects and initiatives that impact our stakeholders. Managers will be required to absorb duties at the expense of other responsibilities.
		DCBS	Shared Services	5% Shared Services - part 2			1,035,344				\$ 1,035,344				
23	1	DCBS	Shared Services	5% Shared Services - part 1	-	-	1,794,592	-	-	-	\$ 1,794,592				
24	5	DCBS	BCD	BCD Site-Built Construction Inspections (Field Services)	-	-	12,667,271	-	-	-	\$ 12,667,271	36	36.00	N	This reduction would result in the elimination of field services such as electrical, plumbing, structural/mechanical and pre-fabrication inspections, plans examinations, and permit issuance specific to Salem, Pendleton and Coos Bay. The programs/activities protect property and building occupants, and have a statutory requirement under ORS 447, 455, 460, 479, and 480. This reduction option eliminates 37 positions.
25	7	DCBS	BCD	BCD Statewide Services			10,790,638		31,118		\$ 10,821,756	31	31.00	N	This reduction would result in elimination of the regulatory oversight of elevators and amusement rides; boilers and pressure vessels; manufactured home ownership and structures; recreational vehicles and parks; and structural/mechanical and plumbing inspections. The programs/activities have a statutory requirement under ORS 446, 447, 455, 460, 479, 480, and 693. This reduction option eliminates 31 positions.
					77,976	-	304,600,426	186,012,644	14,981,339	-	\$ 505,672,385	950	948.00		

Agency Name: Department of Consumer and Business Services																	
2023-25 Biennium												Agency Number: 4400					
Program 1																	
1	2	3	4	5	8	9	10	11	12	13	14	15	16	18	22		
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description			GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Included as Reduction Option (Y/N)	Comments on Proposed Changes to CSL included in Agency Request	
Agcy	Prgm/ Div																

5% OF CSL \$ 25,283,619

10% OF CSL \$ 50,567,239

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2021-23 & 2023-25 BIENNIA

Agency: Department of Consumer and Business Services
 Contact Person (Name & Phone #): Carolina Marquette 503-856-2008

(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Constitutional and/or Statutory reference	(f) 2021-23 Ending Balance		(g) 2023-25 Ending Balance		(i) Comments
					In LAB	Revised	In CSL	Revised	
Nonlimited	44000-005-00-00-00000	0450 / Workers' Compensation NL Accounts	Other -- Injured Worker Benefit Payments	Workers' Compensation NL Accounts; ORS 656.614	4,147,719	4,160,831	4,050,639	4,417,228	21-23 deviation: the revised ending fund balance is within 5 percent of the LAB 21-23 ending fund balance 23-25 deviation: earned assessable premium is expected to be higher than anticipated and expenditures are expected to be lower.
Nonlimited	44000-006-00-00-00000	0696 / Workers' Benefit Fund	Other -- Injured Worker/Employer Benefit Payments	Workers' Benefit Fund; ORS 656.506	128,979,627	141,375,600	121,400,793	135,039,772	21-23 deviation: Revenues continue to outpace expenditures. 23-25 deviation: Revenues continue to outpace expenditures
Limited	44000-011-00-00-00000	0450 / CBS Fund	Operational	Workers' Compensation System	57,826,558	112,692,721	156,242,515	101,068,543	21-23 deviation: Higher revenues due to an increase in the assessment rate from 9.0 percent to 9.8 percent on 1/1/2022 and lower transfers out than anticipated; total assessable premium was also higher than anticipated. 23-25 deviation: the revised ending fund balance is lower than anticipated due to higher than expected expenditures
Limited	44000-015-00-00-00000	1538 / Health Insurance Marketplace	Operational	Oregon Health Insurance Exchange, ORS 741.102	19,813,887	24	0	24	The 21-23 deviation is due to the move of the Health Insurance Exchange from DCBS to Oregon Health Authority
Nonlimited	44000-018-00-00-00000	1039 / PreNeeds Funeral Trust	Trust Fund -- Restitution to Consumers	PreNeeds Funeral Trust; ORS 97.945	727,724	1,400,568	793,925	1,469,056	The 21-23 and 23-25 deviations are both driven by planned restitutions being greater than actual restitutions.
Limited	44000-017-00-00-00000	0450 / CBS Fund	Operational	Central Services	0	0	0	0	The Central Services Division does not maintain a budgeted ending fund balance. DCBS policy FIN-01 controls the determination of reserve amounts and needed cash flows.
Limited	44000-018-00-00-00000	0450 / CBS Fund	Operational	Division of Financial Regulation	228,462,148	256,764,515	304,790,676	252,237,132	Deviations for 21-23 and 23-25 are driven by timing issues with transfers and payments into and out of the Oregon Reinsurance Program.
Limited	44000-019-00-00-00000	0450 / CBS Fund	Operational	Building Codes Division	52,016,437	58,895,064	45,657,527	46,475,285	21-23 deviation: Revenues continued to come in higher than expected during the biennium and expenditures were slightly lower than anticipated. 23-25 deviation is within 5 percent of CSL ending fund balance

Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2023-25 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 2021-23 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 2021-23 Legislatively Approved Budget and the 2021-23 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 2021-23 General Fund approved budget or otherwise incorporated in the 2021-23 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)).

Column (j): **Please note any reasons for significant changes in balances previously reported during the 2021 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.