Secretary of State

State of Oregon

REPORT TO THE
LEGISLATIVE AUDIT COMMITTEE

October 23, 2001

Audits Division

Secretary of State

State of Oregon

REPORT TO THE
LEGISLATIVE AUDIT COMMITTEE

October 23, 2001

Audits Division

No. 2001-46

October 23, 2001

OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State

AUDITS DIVISION
Cathy Pollino
Acting Director

(503) 986-2255
FAX (503) 378-6767

Auditing for a Better Oregon

Senator Fisher, Representative Westlund, and
Representative Doyle, Co-Chairs,
and Members of the Legislative Audit Committee

Dear Committee Members:

The Oregon Audits Division is pleased to present this report on audits we plan to conduct, audits currently in process, and reports we have issued since the December 13, 2000 Legislative Audit Committee meeting. The report consists of three sections. The first section briefly describes some of the audits we have planned and intend to conduct in 2002. Although this is not an all-inclusive list of the programs and activities we intend to audit, the list does cite those audits we consider of higher priority at this time. The second section includes summaries of the audits we are currently conducting. The third section contains brief summaries of the reports and management letters we have issued since the December 13, 2000 meeting of the Legislative Audit Committee.

Our goal is to provide the best possible audit services to the state's taxpayers, the governor, the Legislative Assembly, and state agencies. We welcome the committee's review of this report. My staff and I want to be responsive to your audit needs; we are interested in your suggestions for potential audits in all areas of state government. To this end, we are always available to discuss potential audits as well as the results of those audits we have completed. We look forward to working with the committee.

OREGON AUDITS DIVISION

Cathy Pollino
Acting Director

October 23, 2001

255 Capitol Street NE • Suite 500 • Salem, Oregon 97310
INTERNET: Audits.hotline@state.or.us • http://www.sos.state.or.us/audits/audithp.htm

T A B L E O F C O N T E N T S

Page

PLANNED AUDITS **1**

AUDITS IN PROCESS **3**

REPORTS ISSUED SINCE DECEMBER 13, 2000 ..... **11**

MANAGEMENT LETTERS ISSUED SINCE DECEMBER 13, 2000 ..... **26**

PLANNED AUDITS

The following are some of the more significant audits we plan to start in 2002.

Review of the Deschutes County Community Youth Investment Project

This audit is conducted in response to Senate Bill 384 that requires the Secretary of State to perform an audit of Deschutes County's Community Youth Reinvestment Project. The program provides state Oregon Youth Authority funds for the county's local detention and treatment of non-Measure 11 serious juvenile offenders. This audit will review the cost-effectiveness of the program's performance in protecting public safety, holding offenders accountable for their crimes, and preventing further criminal behavior.

Education, Department of: Contract Management

This audit will be the second audit in a series of audits of the Department of Education's management practices. The Superintendent of Public Instruction requested these audits. The first audit currently underway is looking at the department's personnel management practices. This audit would focus on the department's contract management practices.

Employment Department: General and Application Controls Review

The Employment Department’s mission is to promote the employment of Oregonians through developing a diversified, multi-skilled workforce, promoting quality child care, and providing support during periods of unemployment. The department relies on several computer applications to support this mission. We will be performing a general and application control review of one of the department's critical systems.

Youth Authority, Oregon: Review of the Juvenile Justice Information System

This audit will be looking at the controls in place over the Juvenile Justice Information System to determine whether the system is designed and managed to provide valid information with which to compare the success of Oregon's juvenile justice programs.

AUDITS IN PROCESS

Following are audits we have started but not yet completed. They are arranged in alphabetical order by agency name.

Administrative Services, Department of: Energy Conservation

In May 2000 Governor Kitzhaber issued Executive Order 00-07, which called on the state of Oregon to more efficiently use energy, water, material resources, and land. As the winter of 2000-2001 began, electricity prices rose sharply. Agencies were directed to move quickly to conserve electricity, with the objective of reducing consumption by 10 percent. This audit will provide a statewide review of the agencies' success in responding to the governor's directives. The audit should also identify effective energy conservation measures used at key state facilities. The report is scheduled for release in January 2002.

Administrative Services, Department of: General Controls Review

The Department of Administrative Services is the central administrative agency of state government. The department is responsible for effectively implementing policy and financial decisions made by the Governor and the Oregon Legislature, as well as set and monitor high standards of accountability, ensuring that tax dollars are used productively. To fulfill its responsibilities, the department relies heavily on various computer applications. This audit evaluates the adequacy of general controls in place at the department's data center. General controls protect the environment in which software applications process data and relate to backup and recovery, physical and logical security, systems development activities, facility management, the organizational structure, and independent audit. We include a follow up of prior audit findings. The report is scheduled for release in early November.

Administrative Services, Department of: Statewide System Development Review

The Department of Administrative Services' Information Resources Management Division (IRMD) is the state's information technology delivery, development and support agency. As such, it is responsible for providing guidance and direction to other state agencies to govern the state's information technology resources. The objective of this audit is to determine whether state agencies have implemented adequate policies and procedures governing system development and maintenance as directed by IRMD. This audit is scheduled for release in November 2001.

Construction Contractor's Board: Change of Director Audit

This audit of the Construction Contractor's Board is conducted to comply with *Oregon Revised Statutes 297.210(2)*, which requires the Secretary of State to perform an audit or review when an agency head leaves that position for any reason. This audit examines transactions and

accounts under the former administrator's control. The audit also reviews whether the office has safeguards in place to protect state assets at the time of separation. The report is scheduled for release in November 2001.

Education, Department of: Personnel Audit

This audit is the first in a series of audits of the Oregon Department of Education's management practices. The audits were requested by the Superintendent of Public Instruction. The first audit will look at personnel issues including reviewing employees performing work under job rotation agreements, contracts, and working out of their normal class designation to ensure the department is complying with state personnel rules. This audit report is scheduled for release in December 2001.

Environmental Quality, Department of: Change of Director Audit and Risk Assessment

The Oregon Department of Environmental Quality is Oregon's primary agency responsible for managing the quality of Oregon's environment through protecting and enhancing Oregon's water and air quality, cleaning up spills and releases of hazardous materials, and by managing the proper disposal of hazardous and solid wastes. We are conducting a detailed risk assessment to identify management risks and to plan future audit work. We will be combining the risk assessment work with a change of director audit to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when an agency head leaves that position for any reason. This audit will examine transactions and accounts under the former director's control. The audit also will review whether the office has safeguards in place to protect state assets at the time of separation. The report is scheduled for release in October 2001.

Fish and Wildlife, Department of: Change of Director Audit and Risk Assessment

The Oregon Department of Fish and Wildlife, under the direction of its seven-member Commission, is responsible for managing Oregon's fish and wildlife resources. We are conducting this audit pursuant to *Oregon Revised Statutes 297.210(2)*, which requires the Secretary of State to perform a review when a director leaves his or her position. The objective of the audit is generally to ensure that the department took appropriate steps to protect state assets upon the former director's separation. We also will review the department's efforts to resolve our prior audit recommendations (Report No. 2000-10, *Oregon Department of Fish and Wildlife Commercial Fisheries Regulation*). A report of our findings and any recommendations we may have is scheduled for release in November 2001. We also are performing an assessment to identify significant management risks facing the department. This involves reviewing the department's programs, responsibilities, and related policies and procedures. We will use the results of the risk assessment to plan future audit work.

Hispanic Affairs, Oregon Commission on: Change of Director Audit

This audit of the Oregon Commission on Hispanic Affairs is conducted to comply with *Oregon Revised Statutes 297.210(2)*, which requires the Secretary of State to perform an audit or review when an agency head leaves that position for any reason. This audit examines transactions and accounts under the former director's control. The audit also reviews whether the office has safeguards in place to protect state assets at the time of separation. The report is scheduled for release in December 2001.

Housing and Community Services Department, Oregon: Opinion, Fiscal Year 2001

This is an annual audit conducted for the purpose of reporting on the financial statements of the Oregon Housing and Community Services Department. This audit includes an evaluation of internal controls and tests for compliance with applicable laws and regulations. The audit encompasses the fiscal year ended June 30, 2001, and is scheduled for release in November 2001.

Human Services, Department of: Computer Center General Controls Review

The purpose of this audit is to evaluate general controls at the Department of Human Services Computer Resource Management data center. General controls protect the environment in which software applications process and include procedures relating to physical security, access, backup, contingency planning, and other operational responsibilities. This audit is scheduled for release in October 2001.

Human Services, Department of: Contracting Audit

This audit will review the contract development and management processes employed by the Department of Human Services' central contracting unit, as well as the contract monitoring processes provided by the department's various program staff. This report is scheduled for release in March of 2002.

Human Services, Department of: Health Division Change of Administrator Audit

This change of administrator audit will review separation procedures used by the Health Division of the Department of Human Services. The report will review the separations of one interim administrator and a former administrator. This report is scheduled for release in December 2001.

Human Services, Department of: Office of Medical Assistance Programs—Encounter Data Audit

The Department of Human Services' Office of Medical Assistance Programs (OMAP) collects encounter data from Prepaid Health Plans that provide medical services to members of the Oregon Health Plan. In the managed care environment, encounter data is used for many things, including evaluating quality of care, access to care, and to provide detailed information for rate setting. This audit is designed to determine whether the accuracy and completeness of this information is important and, if so, to evaluate OMAP's efforts to validate the data. This report is scheduled for release in November 2001.

Human Services, Department of: Oregon Health Plan - Eligibility Determination

The Oregon Health Plan, administered by the Department of Human Services, provides health care to low-income Oregonians. This audit is using automated tools to look at the effectiveness of the health plan's eligibility determination process. This report is scheduled for release in November 2001.

Lottery Commission, Oregon State: Video Lottery System Application Controls Review

The purpose of this audit is to determine whether Lottery's Video Lottery System application controls ensure that video gaming transactions processed through the system are complete, accurate, and valid. Application controls are those procedures and processes used to prevent and detect errors that may occur during the operation of the system or application. This audit is scheduled for release in November 2001.

Lottery, Oregon State: Opinion Audit

This is an annual audit conducted for the purpose of reporting on the financial statements of the Oregon State Lottery. This audit includes an evaluation of internal controls and tests for compliance with applicable laws and regulations. The audit encompasses the fiscal year ended June 30, 2001, and is scheduled for release in December 2001.

Measure 66 – Phase II (Review of Expenditures and Performance Measurements)

As a part of our constitutionally mandated audit of Measure 66 expenditures, we have begun the follow up to our Phase I review of agencies receiving these funds for the 1999–2001 biennium. Specifically, we will determine if these agencies have expended funds according to constitutional and/or legislative direction. We also will be evaluating the performance measures as designed by the agencies for providing the assurance that the funds are spent effectively. This report is scheduled for release in February 2002.

Oil Heat Commission – Shut Down

Pursuant to statute, the Audits Division is coordinating the closeout of this commission, which ceased operations by an act of the Legislative Assembly as of June 8, 1999. The Audits Division will ensure that the commission's assets, lease agreements, and final billings and receivables are properly accounted and disposed of. We are not expecting to conduct an audit in connection with this closure, and no report is expected from this closeout service.

Oregon, State of: Comprehensive Annual Financial Report

This audit is conducted to report on the state of Oregon's comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. The audit includes an evaluation of internal controls and tests for compliance with applicable laws and regulations. Audit work is simultaneously underway for the related report on internal controls and federal compliance. Our report on the state's CAFR is scheduled for release in December 2001.

Public Employees Retirement System: Change of Director Audit and Follow-up to Information Technology Audit

We are conducting this audit pursuant to *Oregon Revised Statutes 297.210(2)*, which requires the Secretary of State to perform a review when a director leaves his or her position. This audit examines transactions and accounts under the former director's control. The audit also reviews whether the Public Employees Retirement System (PERS) has safeguards in place to protect state assets at the time of separation. In addition, we reviewed follow-up actions taken by PERS for audit findings presented in our Report No. 2000-23, entitled *Public Employees Retirement System Information Technology Application Control Review*, issued in June 2000. This report is scheduled for release in October 2001.

Public Employees Retirement System: Opinion, Fiscal Year 2001

This is an annual audit conducted for the purpose of reporting on the financial statements of the Oregon Public Employees Retirement System. This audit includes an evaluation of internal controls and tests for compliance with applicable laws and regulations. The audit encompasses the fiscal year ended June 30, 2001, and is scheduled for release in December 2001.

Revenue, Department of: Unitary Assessment

Oregon Revised Statutes Chapter 137 requires that state and local courts impose a unitary assessment upon convicted violators of specified laws. The audit will determine whether courts are complying with the unitary assessment statute and will present an estimate of annual revenues and estimated revenue losses due to identified noncompliance. This report is scheduled for release in November 2001.

State Lands, Division of: Trust Property Division Internal Controls Review

At the request of the Division of State Lands, we conducted a review of the controls over the collection, accounting, and disposition of unclaimed assets managed by the division's Trust Property section. The purpose of the audit was to assess the effectiveness of the controls and make recommendations for improvement. This report is scheduled for release in November 2001.

State Police, Oregon: Payroll Audit

The purpose of this audit is to determine if the Oregon State Police are in compliance with the applicable laws and regulations regarding payroll, and to follow up on issues identified in our Report No. 2000-22, *Oregon State Police Personnel Allocation and Deployment*. In that report, the Audits Division found that the Oregon State Police should make improvements of on the utilization of the staffing allocation models. The report is scheduled for release in November 2001.

Transportation, Oregon Department of: General Controls Review

The Oregon Department of Transportation (ODOT) is responsible for providing a safe, efficient transportation system that supports economic opportunity and livable communities for Oregonians. To fulfill its responsibilities, ODOT relies heavily on various computer applications. This audit evaluates the adequacy of general controls in place at ODOT's data center. General controls protect the environment in which software applications process data and relate to backup and recovery, physical and logical security, systems development activities, facility management, the organizational structure, and independent audit. We included a follow up of prior audit findings. The report is scheduled for release in early November.

Transportation, Oregon Department of: Motor Carrier Division

The Motor Carrier Division of the Oregon Department of Transportation is responsible for enforcing truck weight and safety regulations for state highways. This audit reviews the division's success in identifying and controlling overweight trucks. The report is scheduled for release in November 2001.

Transportation, Oregon Department of: Oregon Transportation Infrastructure Fund Opinion, Fiscal Year 2001

This is an annual audit conducted for the purpose of reporting on the financial statements of the Oregon Transportation Infrastructure Fund. This audit includes an evaluation of internal controls and tests for compliance with applicable laws and regulations. The audit encompasses the fiscal year ended June 30, 2001, and is scheduled for release in December 2001.

University System, Oregon: Oregon State University—Valley Library Contract Review

This is a limited-scope compliance audit of Oregon State University's $42 million Valley Library construction project. The report is scheduled for release in November 2001.

Veterans' Affairs, Department of: Opinion, Fiscal Year 2001

This is an annual audit conducted for the purpose of reporting on the financial statements of the Department of Veterans' Affairs. This audit includes an evaluation of internal controls and tests for compliance with applicable laws and regulations. The audit encompasses the fiscal year ended June 30, 2001, and is scheduled for release in November 2001.

REPORTS ISSUED SINCE DECEMBER 13, 2000

Following are brief summaries of the audit reports we have issued since the December 13, 2000, meeting of the Joint Legislative Audit Committee. The summaries are in alphabetical order by agency name.

Administrative Services, Oregon Department of: Oregon State Payroll System Follow Up—Report No. 2001-17

This audit of the Department of Administrative Services (DAS) Oregon State Payroll System was a follow up to a previous application control review. Although DAS corrected several prior audit findings, many important issues remain unresolved. These issues deal with system development, data validation and editing, and system security. This report presents our findings and recommendations regarding these issues.

Administrative Services, Department of: Information Resources Management Division Review—Report No. 2001-33

This audit of the Department of Administrative Services, Information Resources Management Division examined processes for providing enterprise-wide policies and procedures governing information technology, controls over system development projects, and processes for establishing customer rates to recover the costs of providing services. We found that the department did not provide adequate guidance and direction to other state agencies to govern the state's information technology resources, the division did not have adequate controls to manage its own system development projects, and the division's processes for charging its customers should be improved. This report presents our findings and recommendations regarding these issues.

Adult and Family Services Division: Change of Administrator Audit—Report No. 2001-32

This change of administrator audit reviewed separation procedures used by the Department of Human Services. We found that travel reimbursements, payroll reimbursements, and personal service contracts authorized by the former administrator appeared to be reasonable and appropriate; and the division took appropriate actions to cancel the former administrator's access to state systems. We found that the division could improve its procedures for safeguarding high-risk state assets from loss, and it could use state motor pool resources more cost effectively. This report also provides updated information on the division's implementation of recommendations relating to prior audit findings contained in our Report No. 98-35, *Adult and Family Services Division Review of State-subsidized Child Care Payments*. This report presents our findings and recommendations regarding these issues.

Architect Examiners, State Board of: For the Two Years Ended June 30, 2000—Report No. 2000-44

This report of the State Board of Architect Examiners, a semi-independent agency of the State of Oregon, was performed for the Audits Division by Grove, Mueller & Swank, P.C. The audit concluded that the financial statements as of and for the two years ended June 30, 2000, present fairly, in all material respects, the financial position of the State Board of Architect Examiners as of June 30, 2000, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Asian Affairs, Oregon Commission on: Change of Director Audit—Report No. 2001-29

This audit of the Oregon Commission on Asian Affairs was conducted to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the commission could improve controls over time sheets and fixed assets and obtain cost savings by using a motor pool vehicle. We noted that the commission should ensure that only appropriate and allowable expenses are approved for payment. This report presents our findings and recommendations regarding these issues.

Bar, Oregon State: Professional Liability Fund for the Years Ended December 31, 2000, and 1999—Report No. 2001-28

This report on the Oregon State Bar's Professional Liability Fund was performed for the Audits Division by Merina, McCoy & Co., P.C. The audit concluded that the financial statements as of and for the years ended December 31, 2000 and 1999, present fairly, in all material respects, the financial position of the Professional Liability Fund as of December 31, 2000 and 1999, and the results of its operations and cash flows of its proprietary fund types and fiduciary fund type for the years then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Black Affairs, Oregon Commission on: Change of Director—Report No. 2001-39

This audit of the Oregon Commission on Black Affairs was conducted in compliance with *Oregon Revised Statute* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the former director's timesheets appeared reasonable; however, in review of Oregon State Payroll System records we determined that vacation leave used during one month of employment was mistakenly deducted twice. We also found that the commission did not have policies and procedures in place for fixed assets, record retention, and telecommuting. In addition, 16 payables originating prior to the director's resignation still remain outstanding

after approximately 15 months. This report presents our findings and recommendations regarding these issues.

Blind, Oregon Commission for the: Change of Director Audit—Report No. 2001–41

This audit was conducted in compliance with *Oregon Revised Statute* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves his or her position. We determined that the former administrator of the Oregon Commission for the Blind properly returned all state assets assigned to him and that all access to state and agency computer systems were properly revoked upon his departure. Our review identified improvements that could be made by the commission for time sheet approval, personal service contracts, and invoice payment support. The report presents our recommendations regarding these issues.

Columbia River Gorge Commission: July 1, 1999, to June 30, 2000—Report No. 2001-18

This audit was performed for the Washington State Auditor's office pursuant to the Interstate Cooperative Agreement for the Columbia River Gorge Commission Audit. Oregon expenditures were audited for appropriateness and compliance with Oregon laws and regulations. The report contains Independent Auditor Reports on the financial statements and on compliance with state laws and regulations as of and for the year ended June 30, 2000. The Oregon Audits Division issued these reports as a matter of public information for the taxpayers of Oregon, and the Washington State Auditor's office issued the reports for public use in the state of Washington.

Disabilities Commission, Oregon: Change of Director Audit—Report No. 2001-40

This audit of the Oregon Disabilities Commission was conducted in compliance with *Oregon Revised Statute* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the commission did not have adequate controls over time sheets, travel expense sheets and fixed assets, and could have obtained cost savings by utilizing a motor pool car. We found that the commission did not approve and document out-of-state travel and the commission did not have formal policies regarding employee termination. We also found that the commission made payments for questionable or unallowable items. This report presents our findings and recommendations regarding these issues.

Economic and Community Development Department, Oregon: Evaluation of Performance Measurement Practices—Report No. 2001-15

This review of performance measurement and reporting practices at the Oregon Economic and Community Development Department was requested by the Department of Administrative Services to address questions from members of the Legislative Assembly. Our review showed that, while the Oregon Economic and Community Development Department has taken positive

steps in developing a performance measurement system, some fundamental improvements are needed to ensure that reliable performance information is produced. Although the department conducted a review of its methods for evaluating its performance and identified some new performance measures, our review found that more work is needed to ensure that the department's performance information is useful and reliable for decision-making and public accountability. We suggested ways for the department to improve its performance reports, and provided a list of nationally recognized measures for consideration.

Economic and Community Development Department, Oregon: Special Public Works Fund July 1, 1999, to June 30, 2000—Report No. 2001-21

This report on our annual audit of the Oregon Economic and Community Development Department's Special Public Works Fund concluded that the financial statements and accompanying notes as of and for the year ended June 30, 2000, are fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting. However, we did note another matter, which we reported to the department in a separate letter.

Economic and Community Development Department, Oregon: Water Fund July 1, 1999, to June 30, 2000—Report No. 2001-26

This report on our annual audit of the Oregon Economic and Community Development Department's Water Fund concluded that the financial statements and accompanying notes as of and for the year ended June 30, 2000, are fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Education, Department of: Public School Infrastructure—Opportunities to Improve Planning and Funding—Report No. 2001-20

This audit of Oregon's K-12 public school infrastructure found that opportunities exist to improve school facility planning and funding. Specifically, the report recommends that the state should consider providing additional guidance to school districts to help implement facilities management best practices, and should explore options for creating a dedicated, stable, and equitable funding source for school facilities.

Energy, Office of: Small Scale Energy Loan Program For the Years Ended June 30, 2000, and 1999—Report No. 2001-11

This report on our annual audit of the Office of Energy, Small Scale Energy Loan Program (SELP) for the years ended June 30, 2000 and 1999, concluded that the financial statements and accompanying notes are fairly presented in accordance with generally accepted accounting

principles. We noted no instances of noncompliance that are required to be reported under *Government Auditing Standards*, or any material weaknesses in internal control over financial reporting.

Examiners for Engineering and Land Surveying, State Board of: For the Two Years Ended June 30, 2000—Report No. 2000-45

This report on the State Board of Examiners for Engineering and Land Surveying, a semi-independent agency of the State of Oregon, was performed for the Audits Division by Grove, Mueller & Swank, P.C. The audit concluded the financial statements as of and for the two years ended June 30, 2000, present fairly, in all material respects, the financial position of the State Board of Examiners for Engineering and Land Surveying as of June 30, 2000, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Fair and Exposition Center, Oregon State: Change of Director Review—Report No. 2001-31

The audit of the Oregon State Fair and Exposition Center was conducted to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. The former director ceased performing the duties of director during the month of May 2000, but was asked to be available during this time for consultation. We found that the former director received full salary and benefits for this month. This arrangement was not in writing and there was no expectation for an actual work product. While the arrangement made with the former director was permissible under current law, improvements to the transition process are needed. In addition, we identified control improvements that the fair could make for fixed assets, travel claims, and computer access. We also determined that the former director generally used state-issued credit cards, approved payroll disbursements, and entered personal service contracts in accordance with fair and state policies during the six months prior to separation. We reported other matters involving internal controls to the management of the fair in a separate letter dated July 24, 2001. This report presents our findings and recommendation regarding these issues.

Geologist Examiners, State Board of: For the Two Years Ended June 30, 2000—Report No. 2000-46

This report on the State Board of Geologist Examiners, a semi-independent agency of the State of Oregon, was performed for the Audits Division by Grove, Mueller & Swank, P.C. The audit concluded that the financial statements as of and for the two years ended June 30, 2000, present fairly, in all material respects, the financial position of the State Board of Geologist Examiners as of June 30, 2000, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of

noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting. However, the audit noted other matters involving internal control over financial reporting that were reported to management in a separate letter.

Housing and Community Services Department, Oregon: For the Years Ended June 30, 2000 and 1999—Report No. 2000-49

This report on our annual audit of the Oregon Housing and Community Services Department concluded that the financial statements and accompanying notes for the years ended June 30, 2000 and 1999, are fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Human Services, Department of: Oregon Health Division Drinking Water Program—Report No. 2001-03

The National State Auditors Association annually conducts a joint audit dealing with issues affecting various states. This year's audit focused on water quality. The Department of Human Services' Oregon Health Division is the principal state agency governing drinking water quality. We found that the department did not always receive from water system operators timely and complete information on contaminant levels. We found that the division could improve its enforcement of drinking water quality reporting requirements, procedures for responding to violations of water quality standards, and monitoring of water quality tests conducted by independent laboratories.

Human Services, Department of: Food Stamp Management Information System Application Control Review—Report No. 2001-23

This audit evaluated the Department of Human Services' application controls over the Food Stamp Management Information System (FSMIS). We found that although FSMIS includes various application controls, some do not function as intended. The department can improve its input edits, client case hold, transaction balancing, error correction, eligibility verification and income determination. We also found that the department needs to enforce and improve controls over programming changes; and improve controls over system and data security. This report presents our findings and recommendations regarding these issues.

Human Services, Department of: Change of Director Audit—Report No. 2001-35

This audit was conducted in compliance with *Oregon Revised Statute* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that travel reimbursement claims appeared reasonable; however, it appeared that one employee was receiving duplicate compensation for

personal assistant services. We found that travel reimbursements and payroll reimbursements authorized by the former director appeared to be reasonable and appropriate and the department took appropriate action to cancel the former director's access to state systems. We found that the department's administrative staff did not always travel for business in the most cost-effective manner. We also determined that additional audit work is needed of personal services contracts. This report presents our findings and recommendations regarding these issues.

Human Services, Department of: Security Controls for Computer Applications—Report No. 2001-37

This audit evaluated the adequacy of the Department of Human Services security control for computer applications intended to protect health and welfare information. We found that because security has not received an appropriate level of attention and resources, the department is unable to protect confidential health and welfare information, and incurred loss due to employee theft. This report provides specific recommendations for making security a priority.

Justice, Department of: Division of Child Support—Receipting Unit Special Review—Report No. 2001-08

This audit evaluated the cash receipting practices of the Department of Justice, Division of Child Support Receipting Unit. We conducted this audit in response to concerns received through the Government Waste Hotline. We found that the department's Receipting Unit needs to improve controls over cash receipting to better safeguard the assets in its custody. We recommended that the Receipting Unit provide better security and accountability of cash receipts.

Lands, Division of State: Change of Director Audit—Report No. 2001-13

This audit of the Division of State Lands was conducted to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the former director returned all fixed assets assigned to him and that the division terminated all access to state computer systems and property. We found that contracts and travel expense reimbursements were reasonable and adhered to state policy, but improvements could be made in the division regarding director travel and time authorization. The report includes updated information on division progress for audit findings contained in our 1994 performance audit report (Report No. 94-01). Additional information regarding risks associated with the division was conveyed to the division in Management Letter No. 141-2001-03-01, dated March 7, 2001. This report presents our findings and recommendations regarding these issues.

Landscape Architect Board, State: For the Two Years Ended June 30, 2000—Report No. 2001-01

This report of the State Landscape Architect Board, a semi-independent agency of the State of Oregon, was performed for the Audits Division by Grove, Mueller & Swank, P.C. The audit concluded that the financial statements as of and for the two years ended June 30, 2000 present fairly, in all material respects, the financial position of the State Landscape Architect Board as of June 30, 2000, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting. However, the audit noted other matters involving internal control over financial reporting that were reported to management in a separate letter.

Liquor Control Commission, Oregon: Review of Inventory Management and License and Permit Regulation—Report No. 2001-24

This audit determined if the Oregon Liquor Control Commission (OLCC) managed state liquor inventory appropriately; detected and denied unqualified applicants for liquor licenses and permits; and regulated agents, licensees, and permit holders uniformly. We found that the commission's inventory turnover goal was not based on any analysis or industry standards; its system for evaluating agent-operated liquor stores does not readily identify or communicate operational problems; and the commission does not consistently pursue compliance from deficient stores. We also found that the commission could improve its process for detecting and subsequently denying service permits to applicants not honestly disclosing their criminal histories. This report provides specific recommendations to OLCC for improving oversight and management of agent-operated liquor stores, and the approval and renewal process for service permits.

Lottery Commission, Oregon State: July 1, 1999, to June 30, 2000—Report No. 2001-04

This report on our annual audit of the Oregon State Lottery Commission concluded that the financial statements and accompanying notes for the year ended June 30, 2000, are fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Massage Therapists, State Board of: For Year Ended June 30, 2000—Report No. 2000-47

This report of the State Board of Massage Therapists, a semi-independent agency of the State of Oregon, was performed for the Audits Division by Grove, Mueller & Swank, P.C. The audit concluded that the financial statements as of and for the year ended June 30, 2000, present fairly, in all material respects, the financial position of the State Board of Massage Therapists as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of noncompliance

that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting. However, the audit noted other matters involving internal control over financial reporting that were reported to management in a separate letter.

Optometry, Oregon Board of: For the Two Years Ended June 30, 2000—Report No. 2000-43

This report of the Oregon Board of Optometry, a semi-independent agency of the State of Oregon, was performed for the Audits Division by Grove, Mueller & Swank, P.C. The audit concluded the financial statements as of and for the two years ended June 30, 2000, present fairly, in all material respects, the financial position of the Oregon Board of Optometry as of June 30, 2000, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Oregon, State of: Federal Compliance Report and Internal Control Report For the Year Ending June 30, 2000—Report No. 2001-12

This annual statewide audit is conducted in accordance with the Single Audit Act. It is required for the state to continue receiving federal financial assistance. The statewide audit has four main components. This report contains three of the four components. The first component, the report on the state's financial statements, was separately issued in audit Report No. 2000-51. The three components in this report include a report on compliance with laws and regulations affecting the general-purpose financial statements and internal control over financial reporting; a report on compliance and internal control over major federal programs, including an opinion on the Schedule of Expenditures of Federal Awards; and the schedule which summarizes federal expenditures made by the state of Oregon for the year ended June 30, 2000. A schedule describing instances of noncompliance and questioned costs and conditions affecting internal control is included in this report, along with an appendix listing other audit reports we have issued that are related to state of Oregon programs financed by federal awards.

Parks and Recreation Department, Oregon: Change of Director Audit—Report No. 2001-02

This audit of the Oregon Parks and Recreation Department was conducted to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the Oregon State Parks and Recreation Commission retained the former director in a staff-level position within the Oregon Parks and Recreation Department, allowing him to receive a full director's salary and benefits when he was not performing the work of a director. State law authorizes the commission only to appoint the Oregon Parks and Recreation Department director. We found that the former director's travel reimbursement claims and

monthly timesheets appeared reasonable, but were not subject to review and approval by a higher level of authority. We found that the Oregon Parks and Recreation Department could improve its procedures for safeguarding state assets from loss. The agency maintained documentation of what assigned property the former director had returned, but not complete documentation of what property was originally assigned. This report presents our findings and recommendations regarding these issues.

Physical Therapist Licensing Board: For Year Ended June 30, 2000—Report No. 2000-48

This report of the Physical Therapist Licensing Board, a semi-independent agency of the State of Oregon, was performed for the Audits Division by Grove, Mueller & Swank. The audit concluded that the financial statements as of and for the year ended June 30, 2000, present fairly, in all material respects, the financial position of the Physical Therapist Licensing Board as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting. However, the audit noted other matters involving internal control over financial reporting that were reported to management in a separate letter.

Professional Liability Fund

See "Bar, Oregon State"

Psychologist Examiners, Oregon Board of: Change of Director Audit—Report No. 2001-38

This audit of the Oregon Board of Psychologist Examiners was conducted in compliance with *Oregon Revised Statute* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the board could improve controls over time sheets and fixed assets, and obtain cost savings by using a motor pool vehicle. We also noted that the board did not maintain adequate documentation to support out-of-state travel and a personal service contract. This report presents our findings and recommendations regarding these issues.

Public Employees Retirement System: July 1, 1999 to June 30, 2000—Report No. 2001-22

This report on our annual audit of the Oregon Public Employees Retirement System (PERS) concluded that the financial statements and accompanying notes for the year ended June 30, 2000, are fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We did identify a reportable condition in internal control over financial reporting; however, we do not consider this issue to represent a risk that the financials statements could be material misstated without detection.

SAIF Corporation Salem, Oregon For the Years Ended December 31, 2000 and 1999—Report No. 2001-43

This report on the audit of SAIF Corporation contains audited financial statements and a report on SAIF's compliance with laws, regulations, contracts and grants and on internal control over financial reporting. This audit was performed by Deloitte & Touche LLP for the Audits Division, and covers the years ended December 31, 2000 and 1999.

Student Assistance Commission, Oregon: Year Ended June 30, 2000—Report No. 2001-05

This report of the Oregon State Scholarship Commission, now the Oregon Student Assistance Commission was performed for the Audits Division by Merina, McCoy & Co., CPAs, P.C. The audit concluded that the general-purpose financial statements as of and for the year ended June 30, 2000 present fairly, in all material respects, the financial position of the Oregon Student Assistance Commission as of June 30, 2000, and the results of its operations and cash flows of its nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles. We found that the commission complied in all material respects to each of its major federal programs for the year ended June 30, 2000. However, the results disclosed one instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133. The audit noted no matters involving the internal control over compliance and its operation to be material weaknesses.

Student Assistance Commission, Oregon: Change of Director Review—Report No. 2001-07

This audit of the Oregon Student Assistance Commission was conducted to comply with *Oregon Revised Statutes* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. Our audit of the commission was limited to determining that appropriate separation actions were taken upon the director's leaving. We found that all appropriate actions had been taken to properly terminate the director's employment.

Teacher Standards and Practices Commission Special Review—Report No. 2001-34

This report summarizes our review of certain cash handling, payroll, and other issues at the Teacher Standards and Practices Commission. This audit resulted from allegations received through the Government Waste and Abuse Hotline. We found no evidence to support an allegation that payments received had not been deposited. We did find that the commission's cash controls need improvement. In addition, the commission had not complied with certain laws and regulations for the employment of minors and children of employees. We also found that the commission should improve its supervision of employees on flexible work schedules. This report presents our findings and recommendation regarding these issues.

Transportation, Oregon Department of: Oregon Transportation Infrastructure Fund For the Years Ended June 30, 2000 and 1999—Report No. 2001-10

This report on our annual audit of the Oregon Transportation Infrastructure Fund (OTIF) concluded that the financial statements and accompanying notes as of and for the years ended June 30, 2000 and 1999, are fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

Transportation, Oregon Department of: Change of Director Audit—Report No. 2001-42

This audit of the Oregon State Treasury was conducted to comply with *Oregon Revised Statutes* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the department took appropriate actions upon the former director's separation from the department. We found no significant instances of noncompliance with laws, rules or regulations. Additional information regarding issues that we felt warranted the attention of the department, but did not rise to the level of reporting in an audit report, were conveyed to the department in a separate letter.

Treasury, Oregon State: Evaluation of General Computer Controls—Report No. 2000-50

This audit evaluated the Oregon State Treasury's general computer controls. We found that the Oregon State Treasury can improve the general controls governing its information systems. We made specific recommendations that address the development of comprehensive Systems Development Life Cycle methodologies and operating procedures, monitoring and testing of environmental controls, maintenance of software records, and disaster recovery and contingency planning.

Treasury, Oregon State: Change of Director Audit—Report No. 2001-16

This audit of the Oregon State Treasury was conducted to comply with *Oregon Revised Statutes* 297.210, which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that Treasury can improve its controls over travel claims and timesheets. We did not identify any compliance or control issues in our limited review of access to assets, access to systems and personal service contracts. This report presents our findings and recommendations regarding these issues.

Treasury, Oregon State: SAS 70 Review of Internal Controls July 1, 2000 to June 30, 2001—Report No. 2001-36

This audit evaluated Oregon State Treasury's internal controls relating to processing certain state agency's transactions. This audit was conducted in accordance with AICPA Statement on Auditing Standard (SAS) 70, and as amended by SAS 88. We found that state agencies can rely on information provided by the Oregon State Treasury in preparing their financial statements. Although we did not identify any material weaknesses in internal controls, we found that Investment Accounting management does not always ensure that staff follows established policies and procedures, and some policies and procedures do not reflect current processes. This report presents our finding and recommendation regarding this issue.

Treasury, Oregon State: Oregon Short-Term Fund For the Years Ended June 30, 2001 and 2000—Report No. 2001-45

This report of the Oregon Short-Term Fund concluded that the financial statements of for the years ended June 30, 2001, and 2000, were fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance that are required to be reported under *Government Auditing Standards* or any material weaknesses in internal control over financial reporting.

University System, Oregon: Year Ended June 30, 2000—Report No. 2001-06

This report contains Oregon University System (OUS) audited financial statements, reports on its internal control structure, legal compliance, and federal financial assistance, and OUS's response to the schedule of findings and questioned costs. The audit, performed by Deloitte and Touche L.L.P. for the Oregon Audits Division, encompassed the year ended June 30, 2000. We found that the financial statements present fairly, in all material respects, the financial position of the system at June 30, 2000, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. The audit noted no matters involving the Systems' internal control over financial reporting and its operation that was considered to be material weaknesses. However, the audit noted other matters involving the internal control over financial reporting that were reported to the system's management in a separate letter.

University System, Oregon: Review of Selected Performance Indicators—Report No. 2001-14

This review of the Oregon University System was to provide information on the results of OUS's efforts to improve efficiencies and increase Oregonians' access to higher education. We found that from fiscal year 1995-1996 through 1998-1999, OUS institutions did not substantially increase their administrative or general operating expenses and, in some instances,

administrative costs declined. The institutions generally made more efficient use of instructional resources, and Oregonians' access to the institutions improved. At the same time, however, graduation rates declined. In addition, we found that for fiscal year 1998-1999, OUS institution expenditure patterns were similar to those reported by peer institutions. OUS institution graduation rates, however, were substantially below peer institution graduation rates.

University System, Oregon: University of Oregon—Review of Selected Operations—Report No. 2001-27

This report contains the results of our audit of selected operations at the University of Oregon. Under Oregon's 1995 Higher Education Administrative Efficiency Act (Senate Bill 271), the Oregon University System was made exempt from a number of state administrative regulations. OUS was allowed to design and oversee its own policies and procedures in areas such as personnel, purchasing, and contracting. OUS required the universities to take responsibility for overseeing their own administrative operations. In turn, the universities generally delegated administrative oversight responsibilities to their departments. We found that university management needs to improve its oversight of: special payments to employees, enrolled credit hours carried by student employees, state procurement cards, minor equipment items, employee separation procedures, and transactions with the University of Oregon Foundation. Specific recommendations were made to the University of Oregon how to better protect public assets from loss, improve compliance with applicable requirements, and better account for its use of state resources and gift funds.

University, Oregon State: Hatfield Marine Science Center—Loss of Funds—Report No. 2001-30

This audit investigated personal charges made to a state procurement card and the cash handling practices at the Hatfield Marine Science Center, an operation of Oregon State University. As a result of our investigation into personal charges on a state procurement card, we determined that cash was missing from the Hatfield Marine Science Center's bookstore receipts. Inadequate controls and records made it impossible to verify that all funds from the center's donation box had been accounted for properly. As a result, the actual loss may have been higher than the amount we were able to identify with available records. Our review encompassed July 1998 through March 2000, with limitations imposed by missing cash register tapes. Our report includes recommendations to improve cash handling controls at the Hatfield Marine Science Center, in both the bookstore and the business office. We referred this matter to the Oregon State Police and the Lincoln County District Attorney's office.

Veterans' Affairs, Department of: July 1, 1999, through June 30, 2000—Report No. 2001-09

This report contains results of an opinion audit of the financial statements and accompanying notes of the Oregon Department of Veterans' Affairs for the year ended June 30, 2000. The audit revealed that the financial statements were fairly presented in accordance with generally accepted accounting principles. We noted no instances of noncompliance required to be

reported under government auditing standards. Similarly, we did not note any material weaknesses in internal control over financial reporting.

Water Resources Department: Change of Director Audit—Report No. 2000-41

This audit of the Water Resources Department was conducted to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We examined the transactions and accounts directly under the former director's control for compliance with applicable laws and regulations, and reviewed the department's procedures as related to the transactions and accounts examined. We determined that the former director returned all fixed assets assigned to her and that the department had terminated all access to state computer systems and property. However, our review identified improvements that could be made in the department contract management, director travel expense reimbursement, delegated authority, and vacation payout processes.

Women, Oregon Commission for: Change of Director Audit—Report No. 2001-25

This audit of the Oregon Commission for Women was conducted to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the Commission for Women could improve controls over purchasing and fixed assets, and accounting procedures over the proceeds from the Women of Achievement dinner. Our limited review of access to systems, travel claims, payroll and contracts did not identify any compliance or control issues. This report presents our findings and recommendations regarding these issues.

Youth Authority, Oregon: Change of Director—Report No. 2001-19

This audit of the Oregon Youth Authority was conducted to comply with *Oregon Revised Statute* 297.210(2), which requires the Secretary of State to perform an audit or review when the executive head of a state agency leaves that position for any reason. We found that the former director of the Oregon Youth Authority returned all property assigned to him and his access to state computer systems were properly terminated. We found that, overall, travel reimbursement requests filed by the former director were in compliance with state travel rules and payroll disbursements appeared to be valid; however, the Oregon Youth Authority could provide better documentation of travel and payroll expenditures. We also determined that the Oregon Youth Authority has not resolved all prior audit findings. This report presents our findings and recommendations regarding these issues.

MANAGEMENT LETTERS ISSUED SINCE DECEMBER 13, 2000

Following are brief summaries of management letters we have issued since the December 13, 2000, meeting of the Joint Legislative Audit Committee. The management letters are arranged in alphabetical order by agency name.

Administrative Services, Department of: Selected financial accounts for the year ended June 30, 2000—Management Letter No. 107-2001-01-01

The statewide single audit that included selected financial accounts at the Department of Administrative Services for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report* and to report on internal control and the state's compliance with laws and regulations. We audited certain Department of Administrative Services accounts and transactions to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements. Based on our audit, we identified one reportable condition needing corrective action. The Department of Administrative Services continues to have significant, unresolved reconciling items from prior fiscal years on the General Fund cash reconciliation. We also identified five other matters considered non-reportable: cash reconciliations, transfer of funds, accounting responsibility, segregation of duties, and subrecipient monitoring. This management letter presents our findings and recommendations regarding these conditions.

Administrative Services, Department of: Oregon Judicial Department—System Development Life Cycle (SDLC) methodologies—Management Letter No. 107-2001-10-01

As a result of our review of the Department of Administrative Services Information Resources Management Division (Report No. 2001-33), the Secretary of State started a review of statewide system development. The Oregon Judicial Department was one of six agencies selected for follow-up work relating to System Development Life Cycle (SDLC) methodologies. We will be issuing a formal report to the Department of Administrative Services outlining the results of this review. We concluded that the department's policies and procedures governing system development and maintenance were not sufficient or adequate; specifically, that department management has not implemented formal policies or procedures governing system development and maintenance. Furthermore, we noted that access to the department's program libraries were not appropriately restricted or controlled. This management letter presents our recommendations regarding these conditions.

Administrative Services, Department of: Department of Human Services—System Development Life Cycle (SDLC) methodologies—Management Letter No. 107-2001-10-02

As a result of our review of the Department of Administrative Services Information Resources Management Division (Report No. 2001-33), the Secretary of State started a review of statewide system development. The Department of Human Services was one of six agencies selected for follow-up work relating to System Development Life Cycle (SDLC) methodologies. We will be issuing a formal report to the Department of Administrative Services outlining the results of this review. We concluded that the department's policies and procedures governing system development and maintenance were not sufficient or adequate. Management has not implemented formal policies or procedures governing those activities, although it currently has plans to do so. Furthermore, we noted that the department's CSTAT project has not complied with Department of Administrative Services policies regarding oversight and reporting procedures for information system projects. This management letter presents our recommendations regarding these conditions.

Administrative Services, Department of: Employment Department—System Development Life Cycle (SDLC) methodologies—Management Letter No. 107-2001-10-03

As a result of our review of the Department of Administrative Services Information Resources Management Division (Report No. 2001-33), the Secretary of State started a review of statewide system development. The Employment Department was one of six agencies selected for follow-up work relating to System Development Life Cycle (SDLC) methodologies. We will be issuing a formal report to the Department of Administrative Services outlining the results of this review. We concluded that the department's policies and procedures governing system development and maintenance could be improved; specifically, we noted that the department's SDLC policies and procedures were largely in draft form, providing little detail or guidance to support important tasks such as feasibility studies, testing plans, etc. Because the department has not yet adopted uniform methodologies, each section was free to exercise considerable latitude in interpreting policy and determining how it managed the various development tasks. This management letter presents our recommendations regarding these conditions.

Administrative Services, Department of: Oregon Department of Transportation—System Development Life Cycle (SDLC) methodologies—Management Letter No. 107-2001-10-04

As a result of our review of the Department of Administrative Services Information Resources Management Division (Report No. 2001-33), the Secretary of State started a review of statewide system development. The Oregon Department of Transportation was one of six agencies selected for follow-up work relating to System Development Life Cycle (SDLC) methodologies. We will be issuing a formal report to the Department of Administrative Services outlining the results of this review. During the audit we interviewed agency staff and

reviewed applicable policies, procedures, and guidelines. We limited our review to evaluating agencies' formal policies and procedures governing system development and maintenance. We concluded that the department's policies and procedures governing system development and maintenance were generally adequate. We noted, however, that department management has not provided formal policies or guidelines governing the use of P+. Thus, the version of the package to be used and the minimum deliverables for projects do not appear to be formally set for all divisions. In addition, maintenance procedures for Motor Carrier could be more comprehensive by developing detailed procedures to support all steps in the maintenance checklist. This management letter presents our recommendations regarding these conditions.

Agriculture, Department of: Interim work associated with the constitutionally mandated audit of Oregon Ballot Measure 66 expenditures—Management Letter No. 603-2001-01-01

The purpose of our interim work associated with the constitutionally mandated audit of Oregon Ballot Measure 66 expenditures as they relate to the Department of Agriculture was to learn (1) how the agency has used or is planning to use Measure 66 funds; (2) how the funds are being accounted for; (3) what performance measures have been established to determine benefits received from the funds; and (4) what procedures are being used to collect data for reporting on performance. We found that the controls in place to assure that expenditures are in accordance with constitutional and legislative requirements (including plans, policies and procedures relating to the use of and accounting for Measure 66 funds) are reasonable, except for the lack of review and inspection of the grant projects. We also noted that the agency had not established performance measures to determine benefits received from the funds. We later learned that work in this area was being finalized.

Agriculture, Oregon Department of: Review of travel expenses for calendar years 1999 and 2000—Management Letter No. 603-2001-03-01

This review of travel expenses was performed in response to an allegation received through our Government Waste Hotline stating that a Department of Agriculture manager was claiming reimbursement for parking even though he received free parking from the airport hotel where he stayed. Our review of the manager’s travel expense claims for calendar years 1999 and 2000 did not substantiate the allegations. While reviewing the manager’s travel expense claims, however, we did note that the agency could have saved between $675 and $1,250 in travel costs if the manager had used a state motor pool car for his longer business trips. We made specific recommendations to the department in regard to private car mileage reimbursements, its motor pool fleet, and its out-of-state travel policy for employees. This review was very limited in scope and did not constitute an audit.

Community Colleges and Workforce Development, Department of: Statewide single audit including a financial account and federal awards for the year ended June 30, 2000—Management Letter No. 586-2001-01-01

The statewide single audit that included a financial account and federal awards at the Department of Community Colleges and Workforce Development for the year ended June 30, 2000, was not a comprehensive audit of the department. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. We audited a department account to determine its fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements. In addition, we performed limited procedures on the two federal programs. Based on our audit, we did not identify any reportable conditions related to the account audited. For one federal program, we did note other issues of lesser significance that we wanted to communicate to department management. These issues do not require a Corrective Action Plan. This management letter presents our findings and recommendations regarding these issues.

Consumer and Business Services, Department of: Statewide single audit including selected financial accounts for the year ended June 30, 2000—Management Letter No. 440-2000-12-01

The statewide single audit that included selected financial accounts at the Department of Consumer and Business Services for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. We audited several Department of Consumer and Business Services accounts and transactions to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements. Based on our audit, we did not identify any reportable conditions related to the accounts audited.

Consumer and Business Services, Department of: Workers' Compensation Board Fraud, Waste and Abuse Hotline Investigation—Management Letter No. 440-2001-08-01

As a result of information brought to our attention via our Fraud, Waste and Abuse Hotline, we performed an investigation of the Workers Compensation Board (WCB) billings for Interpreters. The issues brought to our attention included double-billing, double booking, misreporting of time, contract performance and lack thereof, conformance to ethical standards within the interpreter profession, and misrepresentation of credentials and qualifications. We focused our investigation on the billings from the fiscal year ending June 30, 1998 through the fiscal year ending June 30, 2001. During our review of the interpreter's and WCB billing documentation, we identified certain questionable items relating to one specific interpreter, but found that because documentations prepared by the WCB billing specialist were incomplete and incorrect, we were unable to determine whether these billings were accurate and

appropriate. We also noted that on numerous occasions the WCB billing specialist had to change times noted on interpreter billings. Based on this and the incomplete and incorrect billing issues, it appears that interpreters need to be trained on how to properly report time and fill out the billing sheet.

Corrections, Department of: Statewide single audit of selected financial accounts for the year ended June 30, 2000—Management Letter No. 291-2000-12-01

The statewide single audit that included selected financial accounts at the Department of Corrections for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permitted us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. Based on our audit, we did not identify any reportable conditions related to the accounts audited.

Corrections, Department of: Selected financial accounts for the year ended June 30, 2000—Management Letter No. 291-2001-01-01

The statewide single audit that included selected financial accounts at the Department of Corrections for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. We audited several Department of Corrections accounts and transactions to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements. Based on our audit, we did not identify any reportable conditions related to the accounts audited.

Corrections, Department of: Audit Risk Assessment System (ARAS)—Management Letter No. 291-2001-06-01

With assistance of Department of Corrections staff, we collected data for the Audit Risk Assessment System (ARAS). We assessed the department's relevant controls and management risks to populate our ARAS database. This information, along with similar information from other agencies, will be used in planning future audits. Although this work does not constitute an audit, we assessed financial, program and information technology risks and compiled some risks that warrant your attention. This list is not intended to be all-inclusive of the business risks facing your department. Further, since the level of work was not an in-depth audit the list of potential mitigating controls should be considered advisory rather than formal recommendations.

Economic and Community Development Department, Oregon: Audits of the Special Public Works Fund and Water Fund bond programs for the fiscal year ended June 30, 2000—Management Letter No. 123-2001-05-01

During our audits of the Oregon Economic and Community Development Department's Special Public Works Fund and Water Fund bond programs for the fiscal year ended June 30, 2000, we did not identify any conditions related to internal controls or to noncompliance with applicable laws and regulations that we deemed to be significant enough to include in the audit reports. We did identify another issue. During our audit, we judgmentally selected five SPWF and five WF projects to test for compliance with applicable laws and regulations identified during our audit. For one SPWF project, the department did not obtain adequate documentation to support payments totaling approximately $370,000 to a municipality. This management letter presents our finding and recommendation regarding this issue.

Education, Department of: Statewide single audit including selected financial accounts and federal awards the year ended June 30, 2000—Management Letter No. 581-2001-01-01

The statewide single audit that included selected financial accounts and federal awards at the Department of Education for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. We audited certain department accounts and transactions to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements. Based on our audit, we did not identify any reportable conditions related to the accounts and program audited. In addition to auditing the listed accounts and federal program, we determined that the Department of Education is not complying with some of its subrecipient monitoring responsibilities. This matter is not considered a reportable condition for the statewide internal control and compliance report.

Energy, Office of: Small Scale Energy Loan Program for the fiscal year ended June 30, 2000—Management Letter No. 930-2001-02-01

Our audit of the Small Scale Energy Loan Program for the fiscal year ended June 30, 2000, did not identify any reportable conditions related to internal controls or noncompliance with applicable laws and regulations. We identified other matters, however, for the office's consideration in carrying out the program's financial reporting and compliance responsibilities. These matters relate to financial statement presentation, financial statement note disclosures, and statement of cash flows for the consideration of management of the Office of Energy, which we discussed with the Small Scale Energy Loan Program's fiscal staff.

Environmental Quality, Oregon Department of: Interim work associated with the constitutionally mandated audit of Oregon Ballot Measure 66 expenditures—Management Letter No. 340-2001-01-01

The purpose of our interim work associated with the constitutionally-mandated audit of Oregon Ballot Measure 66 expenditures as they related to the Oregon Department of Environmental Quality was to learn (1) how the agency has used or is planning to use Measure 66 funds; (2) how the funds are being accounted for; (3) what performance measures have been established to determine benefits received from the funds; and (4) what procedures are being used to collect data for reporting on performance. We found that the controls in place to assure that expenditures are in accordance with constitutional and legislative requirements (including plans, policies and procedures relating to the use of and accounting for Measure 66 funds) are reasonable, except for the lack of control over time reporting. The correct fund was not consistently charged for work on Measure 66, which was communicated to agency management. We also noted that the agency had given consideration to performance measures that will identify the benefits received from the expenditure of these funds. Although we did not review any performance results to date, the process in place for collecting relevant data appears reasonable.

Fair and Exposition Center, Oregon State: Change of director—Management Letter No. 622-2001-07-01

The change of director review of the Oregon State Fair and Exposition Center identified conditions needing corrective action that were not of a significant nature to be included in the report. These conditions relate to Spots Card misuse, lack of review of the director's time sheets, and lack of use of state-owned vehicles for travel. This management letter presents our findings and recommendations regarding these issues.

Fish and Wildlife, Oregon Department of: Interim work associated with the constitutionally mandated audit of Oregon Ballot Measure 66 Expenditures—Management Letter No. 635-2000-12-01

The purpose of our interim work associated with the constitutionally mandated audit of Oregon Ballot Measure 66 expenditures as they relate to the Oregon Department of Fish and Wildlife was to learn about the following: (1) how your agency has used or is planning to use Measure 66 funds; (2) how the funds are being accounted for; (3) what performance measures have been established to determine benefits received from the funds; and (4) what procedures are being used to collect data for reporting on performance. We found that the agency generally had everything in place for our audit, including plans, policies and procedures relating to the use of and accounting for Measure 66 funds. We noted, however, that the agency had not yet established performance measures specific to determining the benefits received from the funds.

Fish and Wildlife, Oregon Department of: Statewide single audit that included selected financial accounts and federal awards for the year ended June 30, 2000—Management Letter No. 635-2001-01-01

The statewide single audit that included selected financial accounts and federal awards at the Oregon Department of Fish and Wildlife for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. We audited certain accounts and transactions to determine fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements. We determined whether the Oregon Department of Fish and Wildlife substantially complied with the federal requirements relevant to certain federal programs comprising the Fish and Wildlife Cluster. Based on our audit, we identified certain conditions needing corrective action. The Oregon Department of Fish and Wildlife used federal Fish and Wildlife Cluster (grant) funds to purchase an item unallowable under terms of the grant. The ODFW has not submitted some financial reports to the U.S Fish and Wildlife Services for the federal Fish and Wildlife Cluster accurately or in a timely manner. Also, one of the programs in the cluster, Sport Fish Restoration, was not in compliance with performance reporting requirements. This management letter presents our findings and recommendations regarding these issues.

Fish and Wildlife, Oregon Department of: Licensing Section, loss of state funds—Management Letter No. 635-2001-07-01

Our review of the Licensing Section of the Department of Fish and Wildlife was in response to a notification we received from the department regarding a loss of state funds by an employee. Because of limitations with existing records, we could not verify that any specific employee embezzled funds from the department. We also could not be certain that all of the questionable transactions we identified were actually embezzled. We did, however, identify transactions that met the patterns identified previously by the department and Oregon State Police, and make recommendations to improve controls over these transactions.

Forestry, Oregon Department of: Oregon Ballot Measure 66 expenditures interim work—Management Letter No. 629-2000-12-01

The purpose of our interim work was to learn about the following: (1) how the agency has used or is planning to use Measure 66 funds; (2) how the funds are being accounted for; (3) what performance measures have been established to determine benefits received from the funds; and (4) what procedures are being used to collect data for reporting on performance. We found that the agency generally had everything in place for our audit, including plans, policies and procedures relating to the use of and accounting for Measure 66 funds. Although the department had not yet established performance measures specific to the use of the Measure 66 funds, the department does monitor progress in program areas where Measure 66 funds, as well as other funds, are used.

Housing and Community Services Department, Oregon: Audit of the Enterprise Funds for the fiscal year ended June 30, 2000—Management Letter No. 914-2000-12-01

This audit of the enterprise funds of the state of Oregon Housing and Community Services Department for the fiscal year ended June 30, 2000 did not identify any reportable conditions related to internal controls or to noncompliance with applicable laws and regulations. We did identify other matters, however, for management's consideration in carrying out the department's reporting and compliance responsibilities. These matters relate to appraisal method policies and procedures and certificates of participation. The management letter presents our findings and recommendations regarding these issues.

Housing and Community Services Department, Oregon: Statewide single audit including selected federal awards for the year ended June 30, 2000—Management Letter No. 914-2001-01-01

The statewide single audit that included selected federal awards at Oregon Housing and Community Services Department for the year ended June 30, 2000, was not a comprehensive audit of the agency's federal awards. Instead, this single audit permits us to report on the state's internal control and the state's compliance with laws, regulations, and the provisions of contracts or grant agreements, which could have had a direct and material effect on each major federal program. We determined whether the Oregon Housing and Community Services Department substantially complied with the federal requirements relevant to a federal program. Based on our audit, we identified two reportable conditions needing corrective action and two other matters considered non-reportable. The reportable conditions relate to cash management and the non-reportable matters deal with tenant file reviews and tenant file review checklist. This management letter presents our findings and recommendations regarding these issues.

Human Services, Department of: Statewide single audit including selected financial accounts and federal awards for the year ended June 30, 2000—Management Letter No. 410-2001-01-01

The statewide single audit that included selected financial accounts and federal awards at Department of Human Services for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. We audited certain Department of Human Services accounts and transactions to determine fair presentation in accordance with generally accepted accounting principles in relation to the statwide financial statements. We also determined whether the Department of Human Services substantially complied with the federal requirements relevant to certain federal programs. Based on our audit, we identified four reportable conditions needing corrective action and three matters considered non-reportable. The reportable conditions include that the Oregon Health Division is not complying with federal and state subrecipient monitoring requirements. The Health Division of the Department of Human Services does not comply with the funding technique for federal cash draws as stated in the Cash Management Improvement Act

Agreement Amendment for the Women, Infants, and Children (WIC) program. The Mental Health and Developmental Disability Services Division of the Department of Human Services does not comply with the funding technique for federal cash draws as stated in the Cash Management Improvement Act Agreement Amendment for the Substance Abuse Prevention and Treatment Block Grant program. The sampling methodology used by the Quality Control Unit of the Adult and Family Services Division to perform its Oregon Health Plan eligibility reviews does not result in a random sample of reviewed applications, possibly resulting in unreliable projected results and, since applications disagreeing with CMS are eliminated, testing to ensure proper computer coding is not accomplished. Other non-reportable matters include authorization of online timesheets, direct payroll charges to federal programs, and payroll audit trails. This management letter presents out findings and recommendations regarding these issues.

Human Services, Department of: Change of director review, travel reimbursement claims and payroll—Management Letter No. 410-2001-06-01

During our change of director review at the Department of Human Services, we noted conditions regarding travel reimbursement claims and payroll that we felt warranted attention of the department. We felt that these issues did not rise to a level requiring reporting in our report titled *Department of Human Services: Change of Director Audit*, No. 2001-35. These specific conditions are claim miscalculation, improper travel reimbursement, out-of-state authorization forms, inaccurate OSPS leave accruals, and timesheet authorization. This management letter presents our findings and recommendations regarding these issues.

Human Services, Department of: Senior and Disabled Services Division—Audit Risk Assessment System (ARAS) database, relevant controls and management risks—Management Letter No. 411-2001-08-01

To collect data for the Oregon Audits Division's Audit Risk Assessment System (ARAS), we assessed Senior and Disabled Services Division’s relevant controls and management risks to populate our ARAS database. This information, along with similar information from other agencies, will be used in planning future audits. Although this work did not constitute an audit, we assessed financial, program and information technology risks, and compiled some risks that warrant the agency's attention. The listing is not intended to be all-inclusive of the business risks facing the Senior and Disabled Services Division. Also, since the level of work was not an in-depth audit, the items listed are advisory rather than formal recommendations.

Human Services, Department of: Adult and Family Services Division employee reimbursement claims—Management Letter No. 461-2001-04-01

During our change of administrator review at the Adult and Family Services Division, we noted conditions regarding employee travel reimbursement claims that we felt warranted the attention of the division. We felt that these issues did not rise to a level requiring reporting in our report

titled *Adult and Family Services Division: Change of Administrator Audit*, No. 2001-32. This management letter presents our finding and recommendation regarding this issue.

Human Services, Department of: Audit Risk Assessment System (ARAS)—Management Letter No. 461-2001-06-01

With assistance of department staff, the Oregon Audits Division collected data for the Audit Risk Assessment System (ARAS). We assessed Adult and Family Services Division's relevant controls and management risks to populate its ARAS database. This information, along with similar information from other agencies, will be used in planning future audits. Although this work did not constitute an audit, we assessed financial, program and information technology risks, and compiled some risks warranting attention. The listing is not intended to be all-inclusive. Since the level of work was not an in-depth audit, the items listed are advisory, rather than formal recommendations.

Lands, Division of State: Change of Director—Management Letter No. 141-2001-03-01

During our change of director review at the Division of State Lands, we noted conditions regarding timesheets, building access security, system information, and system security that we felt warranted the attention of the division. We felt that these issues were not at a level requiring reporting in our report titled *Division of State Lands: Change of Director Audit*, No. 2001-13. These conditions relate to employee timesheets, building access security, personnel and payroll systems information, and information systems passwords in unsecured binder. This management letter presents our findings and recommendations regarding these issues.

Lottery, Oregon State: Financial statement audit for the fiscal year ended June 30, 2000—Management Letter No. 177-2001-01-02

During our financial statement audit of the Oregon State Lottery Commission for the fiscal year ended June 30, 2000, we did not identify any reportable conditions related to internal controls or to noncompliance with applicable laws and regulations. We did, however, identify other conditions needing corrective action. We met with department fiscal staff to discuss these conditions, which included specific issues related to biennial security review, travel, payroll overpayment, partial day absences, returned tickets, fixed asset useful lives, segregation of duties, check stock location, STRATUS prize expense reconciliation, petty cash, check signer authorization list, annual inventory process, unusable check stock, and total inventory. This management letter presents our findings and recommendations regarding these issues.

Oregon, State of: Independent auditor's report on the general-purpose financial statements for the year ended June 30, 2000—Management Letter Nos. 165-2000-12-01_&_A

This audit was of the general-purpose financial statements of the State of Oregon, as of and for the year ended June 30, 2000. We did not audit the financial statements of the Oregon Health Sciences University; other auditors whose report has been furnished to us audited those financial statements. In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements present fairly, in all material respects, the financial position of the State of Oregon, as of June 30, 2000; and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles. We issue a report on our consideration of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit. We issue that report under separate cover in our Single Audit Report for the State of Oregon.

Public Employees Retirement System, Oregon: For the fiscal year ended June 30, 2000 —Management Letter No. 459-2001-05-01

During our audit of the Oregon Public Employees Retirement System (PERS) for the fiscal year ended June 30, 2000, we did not identify any reportable conditions related to noncompliance with applicable laws and regulations. We did identify one reportable condition related to internal control, however, that we disclosed in our audit report titled *Public Employees Retirement System July 1, 1999 to June 30, 2000*, No. 2001-22, dated June 8, 2001, issued under separate cover. We also identified four other matters that we considered not to be reportable, but require management's attention. Those issues relate to manual benefit calculations, review of manual benefit calculations and adjustments, earnings distribution methods, and documentation for benefit calculations. This management letter presents our findings and recommendations regarding these issues.

Teacher Standards and Practices Commission: Fraud, waste and abuse hotline—cash handling, payroll, and other issues—Management Letter No. 584-2001-01-01

This letter summarizes our review of certain cash handling, payroll, and other issues brought to our attention through our fraud, waste and abuse hotline. We identified no misappropriation or loss of state funds or other assets. We did identify, however, areas for improvement in the commission's management and control of cash receipts, in its supervision of employees with flexible work schedules, and in its compliance with laws and regulations concerning the employment of minors. This management report presents our findings and recommendations regarding these issues.

Transportation, Oregon Department of: Selected financial accounts and federal awards for the year ended June 30, 2000—Management Letter No. 730-2001-01-01

The statewide single audit that included selected financial accounts and federal awards at the Oregon Department of Transportation for the year ended June 30, 2000, was not a comprehensive audit of the agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the state of Oregon's *Comprehensive Annual Financial Report*, and to report on internal control and the state's compliance with laws and regulations. We audited certain accounts and transactions to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements. We also determined whether the department substantially complied with the federal requirements relevant to a federal program. Based on our audit, we identified two reportable conditions needing corrective action. These reportable conditions relate to financial management internal controls and federal compliance reconciliations, of accounting records to SEFA. Other matters identified relate to cash reconciliations and subrecipient monitoring.

Transportation, Oregon Department of: Oregon Transportation Infrastructure Fund (OTIF) for the fiscal year ended June 30, 2000—Management Letter No. 730-2001-01-02

During our audit of the Oregon Transportation Infrastructure Fund for the fiscal year ended June 30, 2000, we did not identify any reportable conditions related to internal controls or to noncompliance with applicable laws and regulations. We did identify, however, other matters relating to the fund's financial reporting and compliance, which we discussed with department fiscal staff.

Transportation, Oregon Department of: Audit Risk Assessment System (ARAS)—Management Letter No. 730-2001-06-01

With the assistance of Oregon Department of Transportation staff, the Oregon Audits Division has been collecting data for the Audit Risk Assessment System (ARAS). We assessed the department's relevant controls and management risks to populate our ARAS database. This information, along with similar information from other agencies, will be used in planning future audits. Although the work did not constitute an audit, we assessed financial, program, and information technology risks, and compiled some risks warranting management's attention. This list is not intended to be all-inclusive of the business risks facing the department. Further, since the level of work was not an in-depth audit, this list of potential mitigating controls should be considered advisory rather than formal recommendations.

Transportation, Oregon Department of: Change of director audit—Management Letter No. 730-2001-07-01

During our change of director review at the Oregon Department of Transportation, we noted several conditions that were not at a level requiring reporting in an audit report but warrant management's attention. These issues relate to time sheets, expense reimbursement requests

and use of personal vehicles. This management letter presents our findings and recommended regarding these issues.

Transportation, Oregon Department of: Motor Carrier Transportation Division—Movement of oversized and overweight vehicles on state roads—Management Letter No. 730-2001-08-01

Our research into the Oregon Department of Transportation's process for permitting the movement of oversized and overweight vehicles on state roads was requested by the Motor Carrier Transportation Division as part of our performance audit of the division. During our audit, the Motor Carrier Transportation Division established a work group to address the same problems we were asked to examine and include in our audit. Given the timetable for the group's work, we discontinued our examination. This management letter provides the division's work group with information we uncovered to support their ongoing efforts.

Youth Authority, Oregon: Audit Risk Assessment System (ARAS)—Management Letter No. 415-2001-06-01

With assistance of Oregon Youth Authority staff, the Oregon Audits Division had been collecting data for the Audit Risk Assessment System (ARAS). We assessed the Oregon Youth Authority's relevant controls and management risks to populate our ARAS database. This information, along with similar information from other agencies, will be used in planning future audits. Although the work did not constitute an audit, we assessed financial, program and information technology risks, and compiled some specific risks that warrant the Oregon Youth Authority's attention. The listing is not intended to be all-inclusive of the business risks facing the Oregon Youth Authority. Further, since the level of work was not an in-depth audit, this list of potential mitigating controls should be considered advisory rather than formal recommendations.

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Oregon Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Directory of Key Officials

Acting Director	Cathy Pollino, CGFM, MBA
Acting Deputy Director	Charles A. Hibner, CPA

This report, which is a public record, is intended to promote the best possible management of public resources.

If you received a copy of an audit report and no longer need it, you may return it to the Oregon Audits Division. We maintain an inventory of past audit reports. Your cooperation helps us save on printing costs.

Oregon Audits Division
Public Service Building
255 Capitol Street NE • Suite 500
Salem, Oregon 97310

We invite comments on our reports through our Hotline or Internet address.

Ph. 503-986-2255
Hotline: 800-336-8218
Internet: Audits.Hotline@state.or.us

http://www.sos.state.or.us/audits/audithp.htm

Auditing to Protect the Public Interest and Improve Oregon Government

?