



Auditing for a Better Oregon

November 18, 2002

Linda Haglund, Deputy State Treasurer
Oregon State Treasury
350 Winter St. NE, Suite 100
Salem, Oregon 97301-3896

Dear Ms. Haglund:

We have completed our SAS 70 Review of Internal Controls at Oregon State Treasury for the fiscal year ended June 30, 2002. During our audit, we did not identify any reportable conditions related to internal controls or to noncompliance with applicable laws and regulations. However, we did identify one other condition that we would like to bring to management's attention. We have already met with department staff to discuss the condition.

During our review of Request for Funds Transmittal, we found that Investment Accounting does not always initial the Request for Funds Transmittal forms to indicate their review for authorization and prior payment. We reviewed 34 of these forms to determine if the form was reviewed and authorized by Investment Division personnel and then by Investment Accounting personnel. The Investment Division personnel properly authorized all 34 forms. Of the 34 forms, only 21 were required to be reviewed by the investment accountant. Of the 21 requiring review, 17 forms were not initialed by an Investment Accountant to indicate their review.

CAMRA desk procedure 06.02.20 states that Investment Accounting is to verify (1) that the request for funds transmittal has proper authorization and (2) expenses that are legal fees, management fees, or any type of expense over \$100,000 in total that Investment Accounting will review for previous payment and initial the bottom left corner of the form.

We will follow up on the department's progress in addressing the issue during our audit of internal controls in fiscal year 2003. Should you have any questions, feel free to contact me at 503-986-2354.

Sincerely,
OREGON AUDITS DIVISION

Nancy L. Young, CPA, CISA
Audit Administrator

NLY:bk
cc: Curt Hartinger, Audit Manager/IT Security Officer

Management Letter No. 170-2002-10-01

Mike Greenfield, Director, Department of Administrative Services