



Auditing for a Better Oregon

March 19, 2003

Bruce Warner, Director
Department of Transportation
Transportation Building
355 Capitol Street NE, Room 135
Salem, Oregon 97301-3871

Dear Mr. Warner:

We have completed our financial statement audit of the Oregon Transportation Infrastructure Bank (OTIB), a program within the Oregon Department of Transportation (department), for the fiscal year ended June 30, 2002. During our audit, we did not identify any reportable conditions related to internal control or to noncompliance with applicable laws and regulations. Professional auditing standards define reportable conditions as matters relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect your ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We did identify the following issues that we determined were not reportable conditions, but do require management's attention. We previously met with department fiscal staff to discuss these issues.

Distribution of Annual Report

We found that the annual report of OTIB was not distributed to recipients as required by Oregon Administrative Rule 731-030-0130 (3). We were told that the report is available if requested, otherwise it is not distributed. We recommend that the department either revise the rule or ensure compliance with the rule.

Administrative Expenses

During our review of the administrative expenses for OTIB, we found that the amount reported was understated by \$6,026. The cost of some staff involved in recording transactions and preparing the financial statements for OTIB was not included in the reported expenses. We recommend that the department determine the employees involved with the operations of OTIB and include them in the cost allocation calculation of salary and other expenses based upon the amount of time spent on the program.

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Working Trial Balance

During our review of the financial statements, we found that the not all of the accounts on the working trial balance reconciled to the state's accounting system or to the financial statements. We recommend that the department ensure the working trial balance clearly agrees with the state's accounting system and the financial statements.

We will follow up on the department's progress in addressing these issues during our audit of fiscal year 2003 financial statements. Should you have any questions, feel free to contact Geoff Hill or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Administrator

February 7, 2003

KLO:bk

cc: Dave Tyler, Chief Financial Officer
Gary Weeks, Director, Department of Administrative Services
John Radford, Administrator, State Controller's Division,
Department of Administrative Services