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*Auditing for a Better Oregon*

July 17, 2003

Rick Willis, Executive Director  
Oregon Public Utility Commission  
550 Capitol Street NE, Suite 215  
Salem, Oregon 97301-2551

Dear Mr. Willis:

We have completed our risk assessment of controls over the receipting, handling and disbursement of cash at the Oregon Public Utility Commission (commission). The purpose of this assessment was to determine whether controls over cash have been established and are working properly. Specifically, we reviewed the commission's processes for bank reconciliations, cash receipts, deposits and expenditures. We also reviewed the commission's control procedures for safeguarding check stock. Our assessment included interviews with employees, review of policies and procedures and observation of selected commission processes.

During our risk assessment, we identified opportunities for the commission to improve controls. Our assessment found that:

- The commission is not recording all utility and telecommunication receivables in the state's accounting system. Currently, the commission is in the process of developing policies and procedures and administrative rules over receivables. Best practices would include recording all accounts receivables in the state's accounting system and reconciling subsidiary records to the accounting system.
- The commission could improve its review and timely preparation of cash reconciliations. We reviewed monthly reconciliations associated with two of the commission's telecommunications cash accounts for March 2002 through February 2003. We found that some of the reconciliations were not prepared in a timely manner and, due to the lack of a completion date on the reconciliations, we were unable to determine if others were prepared timely. Furthermore, only one of the reconciliations had any indication that it had been reviewed. Preparation and review of the reconciliations are important internal controls that help to ensure accurate and complete financial reporting.

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Management Letter No. 860-2003-07-01

We recommend that the commission:

- Continue its development and implementation of the policies and procedures and administrative rule revisions related to receivables. In addition, to ensure complete and timely collection of receivables, we recommend that the commission record all accounts receivables in the state's accounting system and reconcile its subsidiary records to the accounting system.
- Timely prepare and review cash reconciliations, ensure the preparer and reviewer date, and initial the reconciliations.

Based on our risk assessment, except for the issues noted above, the Oregon Public Utility Commission has established sufficient controls over the receipting, handling and disbursement of cash.

Should you have any questions concerning these issues, feel free to contact Aaron Hunter or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Kelly L. Olson, CPA  
Audit Administrator

KLO:bk  
enclosure