



Auditing for a Better Oregon

January 21, 2004

Ron Ruecker, Superintendent
Department of Oregon State Police
400 Public Service Building
Salem, Oregon 97310

Dear Superintendent Ruecker:

The statewide single audit that included selected financial accounts at Oregon State Police for the year ended June 30, 2003, has been completed.

This statewide single audit work is not a comprehensive audit of your 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. Regular audits of the Oregon State Police will continue on a periodic basis.

The following Oregon State Police accounts and transactions were audited to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements.

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
<u>Special Revenue Fund</u>		
3111	Regular Employees	\$38,243,838
3210	Public Employees Retirement Contribution	7,911,753
3263	Medical, Dental, Life Insurance	5,244,969

Based on our audit, we did not identify any reportable conditions related to the accounts audited. We did, however, identify three other conditions needing corrective action. Our findings and recommendations are presented in the enclosed Audit Findings and Recommendations Summary accompanying this letter.

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These other conditions are issues of lesser significance that we wanted to communicate to agency management. These conditions do not require a Corrective Action Plan. We will follow up on the department's progress in addressing these issues during the next fiscal year audit.

Should you have any questions, feel free to contact Ben Wilson or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Jason M. Stanley, CPA
Audit Administrator

JMS:brk

cc: Shauneen Scott, Human Resources Analyst
Gary Weeks, Director, Department of Administrative Services

Audit Findings and Recommendations Summary Oregon State Police Statewide Audit State Fiscal Year 2003

OTHER CONDITIONS

Check Stock Access

We found that a department employee has access, signature authority, and reconciliation responsibilities for the agency's check stock. According to the *Oregon Accounting Manual* (OAM), agencies should develop control activities that include segregation of duties for authorization, record keeping, and custody of the related assets to reduce the opportunities for any individual to be in the position to both perpetrate and conceal errors or fraud in the normal course of duties.

We recommend that department management ensure that check stock duties and responsibilities are adequately segregated to ensure a sound system of internal controls.

Payroll Policies

We found the department did not always review the Gross Pay Adjustment report prior to the release of payroll. In addition, we found that the reports for four of the 12 months tested were reviewed by a person in the payroll unit instead of by an individual in a management position outside of the unit. We also found that the department does not currently reconcile its Oregon State Payroll Application (OSPA) reports to the Statewide Financial Management Application (SFMA) as required by OAM 45.17.00.PO.

We recommend that the department assign a manager not attached to the agency payroll unit to review and approve the Gross Pay Adjustment reports prior to release, and that the department reconcile the OSPA reports to SFMA.

Payroll Segregation of Duties

The department did not properly segregate duties as the same employee who received, processed, and distributed payroll checks and stubs also had access to update the payroll system. The OAM states, "In keeping with generally accepted internal control procedures, persons other than State Controller's Division OSPS Central Payroll staff who have been granted payroll update access are precluded from receiving or processing payroll checks and stubs prior to their regular distribution on the published release date (pay day)."

We recommend that the department review employee access to the payroll system to ensure that the same person who receives and processes payroll checks and stubs has not been granted payroll update access.