



Auditing for a Better Oregon

November 24, 2004

Bob Repine, Director
Oregon Housing and Community Services
P.O. Box 14508
Salem, Oregon 97309-0409

Dear Mr. Repine:

We have completed our financial statement audit of the Oregon Housing and Community Services Department (department) for the fiscal year ended June 30, 2004. 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 issue that we determined was not a reportable condition, but did require management's attention. We previously met with department fiscal staff to discuss this issue.

Non-Capital Assets

We found the department's high-risk non-capital assets (e.g., cellular phones) were not adequately controlled. Although the department has established some policies and procedures designed to control these assets, we were unable to locate three of 25 items tested on the list. In addition, four of 25 assets selected at random did not contain property control numbers, making it difficult to determine if these assets were on the property control list. This condition increases the risk that these assets could be stolen or not returned at employee termination. We recommend that management ensure current policies and procedures governing high-risk non-capital assets be followed.

We will follow up on the department's progress in addressing these issues during our audit of fiscal year 2005 financial statements. Should you have any questions, feel free to contact Ryan Dempster or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Nancy L. Young, CPA, CISA, CFE
Audit Manager

NLY:bk

cc: Rick Crager, Chief Financial Officer
Laurie Warner, Acting Director, Department of Administrative Services

Management Letter No. 914-2004-11-01