



Auditing for a Better Oregon

February 2, 2005

Brigadier General Raymond C. Byrne, Jr.
The Interim Acting Adjutant General
Oregon Military Department
1776 Militia Way SE
Salem, OR 97309-5047

Dear General Byrne:

The statewide single audit that included selected financial accounts at the Oregon Military Department (department) for the year ended June 30, 2004, 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 department will continue on a periodic basis.

The following department 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>Government Wide Fund</u>		
0852	Buildings and Building Improvements	\$120,926,542

Based on our audit, we did not identify any reportable conditions related to the account audited. We did identify the following condition, which is an issue of lesser significance that we wanted to communicate to department management. This condition does not require a Corrective Action Plan. We will follow up on the department's progress in addressing this issue during the next fiscal year audit.

Management Letter No. 248-2005-02-01

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Capital Asset Reconciliation

The Oregon Accounting Manual (15.60.10.PR.128) and Adjutant General Comptroller policy (AGC-248.005)(5)(k) require the quarterly reconciliation of capital outlay expenditures to accounting records as an essential control over capital assets. Timely preparation and review of reconciliations ensure that discrepancies are identified and resolved so that capital assets are reported correctly in the financial records.

During our testing, we found department staff did not prepare or review capital asset reconciliations on a quarterly basis. Department management stated that there are occasions when only minimal activity occurs in these accounts and that the effort of performing the reconciliation might outweigh the benefit received.

We recommend the department review the level of activity of capital outlay expenditures on a quarterly basis to determine whether sufficient activity has occurred that would warrant performing the reconciliation. We recommend the department maintain a record of these reviews including the circumstances considered and the conclusions reached.

Should you have any questions, please contact David Moon or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Mary E. Wenger, CPA
Deputy State Auditor

MEW:bk

cc: Karl Jorgenson, Director, Financial Administration Division
Laurie Warner, Acting Director, Department of Administrative Services