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*Auditing for a Better Oregon*

January 24, 2005

Stephanie Hallock, Director  
Department of Environmental Quality  
811 SW Sixth Avenue  
Portland, Oregon 97204

Dear Ms. Hallock:

The statewide single audit that included selected financial accounts at Department of Environmental Quality (DEQ) 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 DEQ will continue on a periodic basis.

The following DEQ 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>
<b>Environmental Management Fund (Special Revenue)</b>		
0065,0070	Cash	\$138,993,206
0228	Other Non-Business Licenses and Fees	16,989,152
0300	Federal Revenue	38,948,239
0931	Loans Receivable	250,359,690
1401	Transfer Out to Other Fund	17,003,620
4051	Bond Refunded Debt Payment – Escrow Agent	7,736,023
4500	Professional Services Expenditures	6,793,944
4701	Other Services Expenditures	2,681,563
4800	Facilities Rent	4,578,552
3111, 3210, 3221, 3263	Payroll Expenditures	41,827,247

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Based on our audit, we did not identify any reportable conditions related to the accounts audited. Should you have any questions, feel free to contact Ron Forehand or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Jason M. Stanley, CPA, CFE  
Audit Manager

JMS:brk

cc: Helen Lottridge, Administrator, Management Services Division  
Judy Hatton, Accounting Manager  
Laurie Warner, Acting Director, Department of Administrative Services