



Auditing for a Better Oregon

January 4, 2007

Paul J. De Muniz, Chief Justice
Judicial Department
1163 State Street
Salem, Oregon 97301-2563

Dear Mr. De Muniz:

The statewide single audit that included selected financial accounts at the Oregon Judicial Department (department) for the year ended June 30, 2006, 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>
GAAP Fund 0001 (General Fund)		
3111	Regular Employees	\$53,673,151
3125	Judges Salaries	17,923,111
3210	Public Employees Retirement Contribution	12,801,269
3263	Medical, Dental, Life Insurance	14,241,685

Based on our audit, we identified an other condition needing corrective action. This condition is an issue of lesser significance that we wanted to communicate to agency management. This condition does 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.

Management Letter No. 198-2007-01-01

Paul J. De Muniz, Chief Justice

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Payroll Responsibilities are not Adequately Segregated

The department uses the Oregon State Payroll Application (OSPA) to process its payroll transactions. Employees with access to the OSPA system, however, also receive, secure, and distribute the payroll checks once they are printed by the Department of Administrative Services. According to the Oregon Accounting Manual (45.45.101), employees with access to the OSPA system should not process payroll checks.

We recommend management properly segregate the responsibility of distributing payroll checks from employees with access to OSPA. Management has indicated they have resolved the finding and have ensured that employees with access to the OSPA system do not process payroll checks.

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

Sincerely,

OREGON AUDITS DIVISION

Ryan K. Dempster, CPA, CFE

Audit Manager

RKD:bk

cc: Denice Eames, Controller
Darcy A. Johnson, Chief Internal Auditor
Kingsley W. Click, State Court Administrator
Lindsay Ball, Director, Department of Administrative Services