

Office of the Secretary of State  
Bill Bradbury  
Secretary of State

Jean Straight  
Deputy Secretary of State



Audits Division  
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January 24, 2007

Cory Streisinger, Director  
Department of Consumer and Business Services  
350 Winter Street NE, Room 200  
Salem, OR 97309

Dear Ms. Streisinger:

The statewide single audit that included selected financial accounts at the Department of Consumer and Business Services (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>
<u>Special Revenue Fund – Consumer Protection Fund (1104)</u>		
0065	Unreconciled Deposit	\$ 5,851,147
0070	Cash on Deposit with Treasurer	27,811,664
<u>Special Revenue Fund - Employment Service Fund (1106)</u>		
0065	Unreconciled Deposit	\$ 1,605,714
0070	Cash on Deposit with Treasurer	(3,197,605)
<u>Custodial Agency Funds (6405)</u>		
0330	Securities Held in Trust	\$ 1,438,523,705
<u>Government-Wide Reporting Fund (8500)</u>		
1717	Claims and Judgments Payable	\$(1,041,078,027)

Based on our audit, we identified no reportable conditions related to the accounts audited. However, we did identify the following condition 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.

Issue: Bank Reconciliations

We reviewed monthly bank reconciliations for three of the department's State Treasury accounts and found that 19 of 36 reconciliations were not performed within 31 days of the close of the month. These 19 reconciliations were performed from 34 to 119 days after the close of the month. We also found that 12 of the reconciliations did not have evidence of management review. Of these 12, 10 were prepared by managers and two were prepared by accounting staff. According to the department, staff turnover was the cause in the delays of performing the reconciliations and the reason a manager prepared some of the reconciliations.

According to the Oregon Accounting Manual, state agencies should regularly reconcile cash balances in agency records to the balances maintained by the Oregon State Treasury. Cash reconciliations are an important internal control that provides assurance that account balances are accurate and agree to the actual assets in the custody of the state. Those reconciliations should be performed by persons not otherwise responsible for handling or recording cash and should be independently reviewed by management. Failure to appropriately reconcile and review cash accounts in a timely manner may result in inaccurate financial reporting and in errors being undetected for extended periods of time, making them more difficult to correct and less likely to be identified.

**We recommend** department management ensure that reconciliations are performed and reviewed in a timely manner to provide assurance that cash balances and financial records are complete and accurate and to ensure that funds collected are provided to other state programs in a timely manner.

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

Sincerely,  
OREGON AUDITS DIVISION

Kelly L. Olson, CPA  
Audit Manager

KLO:RV:brk

cc: Scott Harra, Chief Financial Officer  
Jacqueline Sewart, Internal Auditor  
David P. Miller, Fiscal Services Manager  
Lindsay Ball, Director, Department of Administrative Services