

Office of the Secretary of State

Bill Bradbury
Secretary of State

Jean Straight
Deputy Secretary of State



Audits Division

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Director

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January 28, 2008

Dick Pedersen, Interim Director
Oregon Department of Environmental Quality
811 SW 6th Avenue
Portland, Oregon 97204

Dear Mr. Pedersen:

We have completed the statewide single audit that included selected financial accounts at Oregon Department of Environmental Quality (department) for the year ended June 30, 2007.

This audit work was not a comprehensive audit of the department. Instead, the audit work performed allowed us, in part, to achieve the following objectives: (1) express an opinion on whether the financial statements contained in the State of Oregon's Comprehensive Annual Financial Report were fairly presented, in all material respects, in conformity with generally accepted accounting principles; (2) determine whether the state's internal controls provided reasonable assurance of proper accounting, financial reporting, and legal compliance of transactions; and (3) determine whether the state has complied with applicable legal requirements that may have a direct and material effect on the state's financial statements.

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

We audited the following accounts and transactions at the department 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>
Special Revenue Fund – Environmental Management (GAAP Fund 1107):		
0065	Unreconciled Deposit	\$ 595,359
0070	Cash on Deposit with Treasurer	107,435,453
0931	Loans Receivable	351,658,528
2998	Reserved for Loans Receivable	351,658,528
0212	Other Business Licenses and Fees	17,768,102
0228	Other Nonbusiness Licenses and Fees	13,779,052
0300	Federal Revenue	19,372,329
3111	Regular Employees	31,301,764
3210	Public Employees Retirement Contribution	4,501,972
3221	Social Security Taxes	2,457,107
4xxx	Various Services and Supplies	17,544,048

This communication is intended solely for the information and use of management, others within the organization, and the Environmental Quality Commission and is not intended to be and should not be used by anyone other than the specified parties.

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

Sincerely,
OREGON AUDITS DIVISION

Julianne Kennedy, CPA
Audit Manager

JK:bk

cc: Kerri Nelson, Management Services Division Administrator
Judith Hatton, Accounting Manager
Lynn Hampton, Chair, Environmental Quality Commission
Kris Kautz, Interim Director, Department of Administrative Services