

**Office of the Secretary of State**

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Secretary of State

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Deputy Secretary of State



**Audits Division**

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January 29, 2010

Dick Pedersen, Director  
Department of Environmental Quality  
811 SW 6<sup>th</sup> Avenue  
Portland, OR 97204

Dear Mr. Pedersen:

We have completed audit work of selected financial accounts at Oregon Department of Environmental Quality (department) for the year ended June 30, 2009.

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, 2009, 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 at the department and determined 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 Debit (Credit)</u>
<u>GAAP Fund 1107 – Special Revenue: Environmental Management:</u>		
0065	Unreconciled Deposit	196,276
0070	Cash on Deposit with Treasurer	67,137,302
0075	Cash on Deposit – Suspense Acct at Treas	3,131,656
0931	Loans Receivable	435,787,772
2998	Reserved for Loans Receivable	(435,787,772)
0212	Other Business Licenses and Fees	(23,140,663)
0228	Other Nonbusiness Licenses and Fees	(13,495,090)
0300	Federal Revenue	(13,836,604)
0355	Federal Revenue as Other Funds	(22,664,942)
1910	Transfers Out to Agency 999	6,566,678
3111	Regular Employees	33,640,750
3210	Public Employees Retirement Contribution	4,184,306
3212	Pension Bond Assessment	1,982,885
3221	Social Security Taxes	2,604,692
3263	Medical, Dental, Life Insurance	7,259,878

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

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact David Terry or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Julianne Kennedy, CPA  
Audit Manager

JK:jas

cc: Kerri Nelson, Management Services Division Administrator  
Dolores Passarelle, Accounting Manager  
Maggie Vandehey, Audit Committee Member  
Bill Blosser, Chair of the Environmental Quality Commission  
Scott Harra, Director, Department of Administrative Services