

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State



Audits Division

Gary Blackmer
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255
fax (503) 378-6767

January 24, 2011

Dr. Bruce Goldberg, Director
Department of Human Services
500 Summer St. NE, E15
Salem, Oregon 97301-1097

Dear Dr. Goldberg:

We have completed audit work of selected financial accounts at the Department of Human Services (department) for the year ended June 30, 2010.

This audit work was not a comprehensive audit of the department. We performed this audit work as part of our annual statewide financial audit. The objective of the statewide audit was to 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.

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2010, 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</u>
<u>GAAP Fund 0001 - General Fund</u>		
3111 - 7500	Expenditures	\$ 1,531,054,914
<u>GAAP Fund 1108 – Health and Social Services Fund</u>		
0065	Unreconciled Deposits	\$ 12,342,616
0070	Cash on Deposit with Treasurer	38,097,773

0503	Accounts Receivable – Other Unbilled	72,694,803
0542	Accounts Receivable – Federal – Unbilled	229,313,271
0300	Federal Revenue	3,843,782,219
3111 - 7500	Expenditures	4,616,735,729

GAAP Fund 1109 – Nutritional Support Fund

0300	Federal Revenue	\$ 1,028,160,757
------	-----------------	------------------

GAAP Fund 4007 – State Hospitals Fund

1301	Transfer In From Other Fund	\$ 146,768,103
------	-----------------------------	----------------

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Prior Year Findings

In the prior fiscal year, we reported a material weakness and a significant deficiency in a letter dated February 25, 2010. The material weakness is related to department management's lack of assurance that controls exist and are effective over a significant financial system. The significant deficiency is related to strengthening the department's knowledge, skills and abilities regarding preparing and approving transactions, including adjustments and year-end closing entries. These findings can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2009; see Secretary of State audit report number 2010-19, findings numbered 09-01 and 09-02. During fiscal year 2010, the department made progress toward correcting these findings. These findings will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2010, with a status of partial corrective action taken.

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

Dr. Goldberg, Director
Department of Human Services
Page 3

We would like to thank all of your staff for their assistance and cooperation during this audit, with particular thanks to staff from financial services, information services, and internal audit and consulting. Should you have any questions, please contact Amy Palacios or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Julianne Kennedy, CPA
Audit Manager

JK:AIP:nmj

cc: Jim Scherzinger, Deputy Director of Finance
Suzanne Hoffman, Chief of Staff
Shawn Jacobsen, Deputy Controller
Dave Lyda, Chief Audit Officer
Kris Kautz, Acting Director, Department of Administrative Services