

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State



Audits Division

Gary Blackmer
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January 7, 2011

Kris Kautz, Acting Director
Department of Administrative Services
155 Cottage St NE
Salem, OR 97301

Dear Ms. Kautz:

We have completed audit work of selected financial accounts at the Department of Administrative 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.

SFMA Account	Description	Audit Amount
<u>GAAP Fund 0001 – General Fund</u>		
0065	Unreconciled Deposit	\$ (587,690,167)
0070	Cash On Deposit With Treasurer	(99,058,833)
1301	Transfer In From Other Fund	235,029,896
1853	Transfer Out To OR University System	370,729,853

GAAP Fund 1105 – Educational Support Fund

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0300	Federal Revenue	\$ 253,755,829
1301	Transfer In From Other Fund	113,194,783
1306	Transfer In From Department of Administrative Services	167,426,758

GAAP Fund 1108 – Health and Social Services Fund

0065	Unreconciled Deposit	\$ 1,645,574
0070	Cash On Deposit With Treasurer	254,282,993

GAAP Fund 1114 – Oregon Rainy Day Fund

0070	Cash On Deposit With Treasurer	\$ 125,522,029
1301	Transfer In From Other Fund	22,294,767
1401	Transfer Out To Other Fund	235,029,896

GAAP Fund 5001 – Central Services Fund

0816	Motor Vehicles	\$ 82,091,080
0852	Buildings And Building Improvements	335,804,015
0872	Accumulated Depreciation-Motor Vehicles	52,924,961
0875	Accumulated Depreciation-Buildings & Building Improvements	116,477,944

GAAP Fund 8500 – Government-Wide Reporting Fund

0967	Net Pension Asset	\$ 1,735,800,000
1276	Bonds Payable-Current	96,890,340
1714	Bonds Payable-Noncurrent	2,375,727,665

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.

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.

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.

Kris Kautz, Acting Director
Department of Administrative Services
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We appreciate your staff's assistance and cooperation during this audit. 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:DBF:jas

cc: Bret West, Operations Division Administrator, Department of Administrative Services
Pam Stroebel Valencia, Chief Audit Executive, Department of Administrative Services
James Russell, Accounting Manager, Department of Administrative Services
Joy Sebastian, Deputy State Controller, Department of Administrative Services