

Office of the Secretary of State

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Secretary of State

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Audits Division

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Director

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January 3, 2011

Max Williams, Director  
Department of Corrections  
2575 Center Street NE  
Salem, OR 97301-4667

Dear Mr. Williams:

We have completed audit work of selected financial accounts at the Department of Corrections (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>General Fund (GAAP Fund 0001)</u>		
3111	Regular Employees	\$181,283,099
3210	Public Employees Retirement Contribution	27,658,633
3212	Pension Bond Assessment	11,538,596
3221	Social Security Taxes	15,259,608
3263	Medical, Dental, Life Insurance	49,204,200
4xxx	Various Services and Supplies	137,064,721

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
6300	Distribution to Counties	103,679,828
<u>Community Protection Fund (GAAP Fund 1103)</u>		
3111	Regular Employees	\$33,277,178
<u>Government-Wide Reporting Fund (GAAP Fund 8500)</u>		
0852	Buildings and Building Improvements	\$717,592,719
0875	Accum Depr-Buildings & Bldg Improvements	156,927,584

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.

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

Sincerely,  
OREGON AUDITS DIVISION

V. Dale Bond, CPA, CISA, CFE  
Audit Manager

VDB:JMH:jas

cc: Tami Dohrman, Administrator, General Services Division  
Jamie Breyman, Internal Audits Administrator  
Scott Harra, Director, Department of Administrative Services