

Office of the Secretary of State

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Audits Division

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March 11, 2011

Susan Castillo, Superintendent of Public Instruction
Oregon Department of Education
255 Capitol Street NE, Suite 200
Salem, Oregon 97310-0203

Dear Ms. Castillo:

We have completed audit work of a selected federal program at the Department of Education (department) for the year ended June 30, 2010.

This audit work was not a comprehensive audit of your federal program. We performed this audit work as part of our annual statewide single audit. The audit work performed allowed us, in part, to achieve the following objectives: (1) determine whether the department has complied with laws, regulations, contracts or grants that could have a direct and material effect on the selected federal program and (2) determine whether the department has effective internal controls over compliance with the laws, regulations, contracts and grants applicable to the selected federal programs. We audited the following federal program at the department to determine whether the department substantially complied with the federal requirements relevant to the federal program.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
84.010	Title I Grants to Local Educational Agencies	\$132,245,806
84.389	Title I Grants to Local Educational Agencies, Recovery Act	53,644,927

In planning and performing our audit, we considered the department's internal control over compliance with requirements that could have a direct and material effect on the major federal program to determine the auditing procedures for the purpose of expressing our opinion on the department's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of the federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Prior Year Findings

In the prior fiscal year, we reported a material weakness related to the department's expenditure accruals and a significant deficiency related to the department's subrecipient monitoring process in a letter dated March 18, 2010. 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, finding numbers 09-36 and 09-37. During fiscal year 2010, the department corrected the findings by changing their expenditure accrual process and maintaining subrecipient monitoring checklists. These findings will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2010, with statuses of corrective action taken.

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, federal awarding agencies, and pass-through entities 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 Michelle Searfus or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

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

cc: Ed Dennis, Deputy Superintendent
Susan MacGlashan, Assistant Superintendent, Office of Finance and Administration
Tomas Flores, Accounting Services Director
Brenda Frank, Chair, State Board of Education
Tryna Luton, Director, School Improvement and Accountability
Michael Williams, Economic Recovery Executive Team, Office of the Governor
Kris Kautz, Acting Director, Department of Administrative Services