

Office of the Secretary of State

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Audits Division

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March 22, 2011

Matthew Garrett, Director
Oregon Department of Transportation
1158 Chemeketa Street NE
Salem, Oregon 97301

Dear Mr. Garrett:

We have completed audit work of selected federal programs at the Oregon Department of Transportation (department) for the year ended June 30, 2010.

This audit work was not a comprehensive audit of your federal programs. 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 programs 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 programs at the department to determine whether the department substantially complied with the federal requirements relevant to the federal programs.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
20.205 – Non-ARRA	Highway Planning and Construction Cluster	\$432,463,673
20.205 – ARRA	Highway Planning and Construction Cluster	159,134,416
20.509 – Non-ARRA	Formula Grants for Other than Urbanized Areas	9,887,521
20.509 – ARRA	Formula Grants for Other than Urbanized Areas	24,230,148

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(s) 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.

This communication is intended solely for the information and use of management, the Oregon Transportation Commission, 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 Geoff Hill or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

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

VDB:GMH:nmj

cc: Clyde Saiki, Deputy Director of Central Services
Jerri Bohard, Deputy Director of Operations
Les Brodie, ODOT Chief Financial Officer
Deb Tennant, Deputy Chief Financial Officer
Marlene Hartinger, ODOT Internal Audit Chief
Oregon Transportation Commission
ODOT Audit Committee
Michael Williams, Economic Recovery Executive Team, Office of the Governor
Kris Kautz, Acting Director, Department of Administrative Services