

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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December 21, 2012

Michael Jordan, Director
Department of Administrative Services
155 Cottage Street NE, U20
Salem, Oregon 97301-3966

Dear Mr. Jordan:

We have completed audit work of selected financial accounts at the Department of Administrative Services (department) for the year ended June 30, 2012.

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, 2012, 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 0001/0054 – General Fund</u>		
0065	Unreconciled Deposits	\$ 189,835,669
0070	Cash on Deposit with Treasurer	(662,749,319)
1401	Transfer Out to Other Fund	117,992,745
1853	Transfer Out to OR University System	328,292,192
1854	Transfer Out to Dept of Education	136,304,361

GAAP Fund 1105 – Educational Support Fund

1301	Transfer In From Other Fund	\$ 112,346,501
1306	Transfer In From Dept of Admin Services	110,000,000

GAAP Fund 1108 – Health and Social Services Fund

0070	Cash on Deposit with Treasurer	\$ 83,400,797
1401	Transfer Out to Other Fund	87,965,686
1809	Transfer Out to Justice 137	1,165,593
1843	Transfer Out to Oregon Health Authority	165,624,535

GAAP Fund 5001 – Central Services Fund

0407	Other Charges for Services	\$ 183,630,832
0852	Buildings and Building Improvements	336,855,685
0875	Accum Depr-Buildings & Bldg Improvements	133,498,911
1306	Transfer In From Dept of Admin Services	148,120,479

GAAP Fund 8500 – Government-Wide Reporting Fund

0967	Net Pension Asset	\$ 1,617,000,000
1276	Bonds Payable - Current	121,830,383
1714	Bonds Payable - NonCurrent	2,167,141,451

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.

Prior Year Finding

In the prior fiscal year, we reported a significant deficiency related to the department's method for recording replacements of building components in a letter dated February 7, 2012. This finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2011, see Secretary of State audit report number 2012-08, finding number 11-04. During fiscal year 2012, management identified costs related to assets that were replaced in prior years and prepared asset disposal entries. However, they did not identify and remove replaced assets within all current year capitalized projects. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2012, 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.

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

Sincerely,
OREGON AUDITS DIVISION

Julianne Kennedy, CPA
Audit Manager

JK:nmj

cc: Sarah Jo Chaplen, Deputy DAS Director
Jan Dean, Administrator, Enterprise Goods and Services
Shawn Waite, Chief Financial Officer, Shared Financial Services
Renee Klein, Interim Chief Audit Executive
Jeanette Fish, Administrator, Enterprise Asset Management