

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State



Audits Division

Gary Blackmer
Director

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February 1, 2012

Louise Solliday, Director
Department of State Lands
775 Summer Street NE Suite 100
Salem, Oregon 97301-1279

Dear Ms. Solliday

We have completed audit work of selected financial accounts at the Department of State Lands (department) for the year ended June 30, 2011.

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, 2011, 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 1113 - Special Revenue Fund</u>		
0065	Unreconciled Deposit	\$ 2,949,242
0070	Cash on Deposit with Treasurer	32,880,477
0085	Cash Equivalent	43,709,873
0240, 0245	Investments	1,014,690,439
0350	Securities Lending Collateral	13,220,957
0503	Accounts Receivable	43,455,656

0720	Unclaimed Property Revenue	50,826,547
0810	Income from Investments	13,474,798
0830	Net Increase/Decrease in Fair Value of Investments	192,998,772
0929	Investments-Noncurrent	66,836,624
1215	Accounts Payable	74,767,760
1532	Due to Other Funds	25,224,032
1551, 1576	Unclaimed Property Liability	163,716,281
1600	Obligations Under Securities Lending	13,220,957
1854	Transfer Out to Department of Education	48,745,000

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, others within the organization, and the State Land Board 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 Mary Krehbiel or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Manager

KLO:MEK:nmj

cc: Cyndi Wickam, Assistant Director
Vena McCoy, Internal Auditor
Oregon State Land Board Members
Michael J. Jordan, Director, Department of Administrative Services