

Office of the Secretary of State

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Audits Division

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February 3, 2012

The Honorable Ted Wheeler, State Treasurer
Oregon State Treasury
159 Oregon State Capitol
900 Court Street NE
Salem, Oregon 97301

Dear Mr. Wheeler:

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

This audit work was not a comprehensive audit of the Treasury. 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 Treasury 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 Treasury'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 Treasury's internal control. Accordingly, we do not express an opinion on the effectiveness of the Treasury's internal control.

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 Findings

In prior fiscal years, we reported a significant deficiency related to Treasury's internal controls over financial reporting and a material weakness related to Treasury's internal controls over investment valuation in letters dated January 27, 2011 and February 23, 2010, respectively. These findings can also be found in the Statewide Single Audit Reports; see Secretary of State audit report number 2011-06, finding number 10-09, and audit report number 2010-19, finding number 09-07, respectively. We followed up on these findings during the fiscal year 2011 audit. We found that Treasury has taken steps to resolve these findings. These findings will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2011, each with a status of partially corrected.

This communication is intended solely for the information and use of management, others within the organization, and Oregon Investment Council 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: Darren Bond, Deputy State Treasurer
Byron Williams, Chief Audit Executive
Andrea Belz, Controller
Keith Larson, Oregon Investment Council Chair
Michael J. Jordan, Director, Department of Administrative Services