

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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January 24, 2012

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

Dear Ms. Castillo:

We have completed audit work of selected financial accounts at the Oregon Department of Education (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 0054 – GASB 54 General Fund</u>		
1301	Transfer In From Other Fund	\$ 496,323,144
6600	Distribution to Local School Districts	2,471,684,370

GAAP Fund 1105 – Educational Support Fund

0300	Federal Revenue	\$ 492,342,925
1306	Transfer In From Department of Administrative Services	260,995,408
6200	Intra-agency General Fund/Other Fund Transfers	496,226,480
6600	Distribution to Local School Districts	633,507,653

GAAP Fund 1109 – Nutritional Support Fund

6600	Distribution to Local School Districts	133,148,737
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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 Oregon State Board of Education 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 Raul Valdivia or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

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

VDB:RV:nmj

cc: Ed Dennis, Deputy Superintendent
Susan MacGlashan, Assistant Superintendent, Office of Finance and Administration
Tomas Flores, Financial Services Director
Brenda Frank, Chair, Oregon State Board of Education
Michael J. Jordan, Director, Department of Administrative Services