



## Agency Outreach Newsletter



**Kate Brown,  
Secretary of State**

### From the Secretary of State

Welcome to our March issue! This newsletter is one of our avenues to communicate with State agencies about our audit work. As you may know, I took office in January on a platform of enhancing the performance auditing function in the Oregon Audits Division. Auditing is a critical part of my job as Secretary of State, and this job includes serving as the state's constitutional auditor of public accounts.

But good auditing is about much more than accounting. It's about accountability. Agencies, the legislature, and Oregon taxpayers deserve a transparent process where transactions and decisions are clearly communicated, and where decision-makers and the public have accurate and complete information about our government.

I am making changes to the Oregon Audits Division to enhance our role as accountability professionals for Oregon taxpayers and our government's decision-makers. Just as we expect agencies to be transparent in their finances and operations, our audit teams will clearly communicate with you throughout the audit process. We'll report our results to the public and to decision-makers—all in the spirit of checking and reporting on how well government is meeting its goals.

Some of these results may be critical—our auditors are trained and paid to be professional skeptics—but all of our audit reports will be balanced and

accurate, and will include your agency's response. Good governance requires good information, and we intend to bolster our internal processes and our external outreach to ensure that our reports improve public accountability and enhance decision-making.

I have named Gary Blackmer as our new Director of the Oregon Audits Division. Gary has nearly 20 years of elected service as Portland's City Auditor and as the County Auditor for Multnomah County. Gary is a past Chair of the Northwest Intergovernmental Audit Forum, was a national president of the National Association of Local Government Auditors, and serves on the U.S. Comptroller General's Domestic Working Group. Gary will start on June 1.

Until then, I have named Drummond Kahn as the Interim Director. Drummond is on loan from the City of Portland where he serves as Director of Portland's Audit Services Division. His experience also includes government auditing at the U.S. Government Accountability Office, directing the audit function at ODOT, and serving as a State Audit Administrator here in the Audits Division.

Our audit professionals and I look forward to working with you. Please contact me or our audit staff if you have any questions or suggestions about our focus. Best wishes, Kate.

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#### Special points of interest:

- School District Audit Process
- Information Technology Audit Highlights
- Performance and Fraud Audit Highlights
- Financial Audit Highlights



## School District Audit Process

During the 2007 regular session, the Oregon Legislative Assembly passed House Bill 3141, which authorized the Oregon Department of Education, in consultation with the newly established District Best Business Practices Advisory Committee, to develop a system for auditing school district business practices. The bill directed the department to contract with the Oregon Audits Division to conduct the audits. The audits are voluntary on the part of districts and may cover business practices in the areas of transportation, food service, grounds maintenance, building and systems maintenance, construction, purchasing and contracting, and financial practices.

The Oregon Department of Education, with guidance from the advisory committee, chaired by Senator Vicki Walker, has made significant progress in identifying best practices, and has developed a list of best business practices in the areas of construction, purchasing and contracting, and food services. The Oregon Audits Division, at the request of the department and the committee, has been pleased to assist this effort.

In November 2008, we completed the first audit under this process—a review of the contracting practices of the Multnomah Education Service District (MESD). The resulting report was well received and MESD management has already taken actions on the recommendations we provided. This spring, we will review and report on the actions MESD has taken.

Although the best business practices adopted were developed for use in the school district audits, some of the identified practices are valuable for state agencies. To view these best practices and obtain more information about the advisory committee's efforts, please go to the following site:

<http://www.ode.state.or.us/search/page/?id=1637>

The audit of Multnomah Education Service District's contracting practices can be viewed at:

<http://www.sos.state.or.us/audits/reports/full/2008/2008-33.pdf>

## Information Technology Audit Highlights

Since September 2008, we have issued four information technology audit reports:

- *Department of Administrative Services: Oregon State Payroll Application Computer Controls Review*, Report No. 2008-28.
- *Oregon Department of Administrative Services: Statewide Financial Management Application Computer Controls Review*, Report No. 2008-29.
- *Department of Corrections: Automated Financial Accounting Manufacturing Inventory System Computer Controls Review*, Report No. 2008-41.

- *Department of Administrative Services: Enterprise Security Office Review*, No. 2009-05.

Objectives of the first three audits were to evaluate information technology controls governing system security, program change management, backup and recovery, and data integrity. Objectives of the fourth audit were to evaluate the Enterprise Security Office's progress in fulfilling security requirements included in ORS 182.122 and to determine whether Enterprise Security Office security infrastructure projects were appropriately managed.



## Performance and Fraud Audit Highlights

Since September 2008, we have issued the following performance and fraud audit reports:

- *Departments of Forestry and State Lands: Review of Common School Fund Forest Land Management Costs*, Report No. 2008-32. The purpose of this audit was to determine whether costs the Department of Forestry charged for management of Common School Fund forest lands were reasonable and in compliance with the Interagency Agreement between the Department of State Lands, Oregon Department of Forestry and State Land Board.
- *Multnomah Education Service District: Contracting Practices*, Report No. 2008-33. The purpose of this audit was to determine whether Multnomah Education Service District's (MESD) contracting and intergovernmental agreement practices were in accordance with contracting laws, best practices, and MESD policies.
- *Oregon Youth Authority: Oversight of Basic and Diversion Services Funds*, Report No. 2008-39. The objective of this audit was to determine whether the juvenile departments at four selected counties expended basic services and diversion funds for the 2005-07 biennium in accordance with intergovernmental agreements, which incorporate state laws and rules.
- *Measure 66 Funding: Financial Integrity, Effectiveness and Performance for the 2005-2007 Biennium*, Report No. 2008-40. This audit had two purposes related to Measure 66 funding: a review of effectiveness and performance at the Oregon Parks and Recreation Department and the Oregon Department of Fish and Wildlife, and a review of financial integrity at all six state agencies receiving Measure 66 funds during the 2005-2007 biennium.
- *Oregon Parks and Recreation Department: Loss of Funds Investigation and Internal Controls Review at the Oregon State Fair and Exposition Center*, Report No. 2009-03. The purposes of this audit were to investigate a potential fraud at the Oregon State Fair and Exposition Center and to review Oregon State Fair and Exposition Center internal controls.

## Financial Audit Highlights

The financial team completed audit procedures on more than 150 accounts at 16 state agencies, issued or contracted for opinions on financial statements at 6 agencies, and issued an opinion on the *Oregon Comprehensive Annual Financial Report* (January 29, 2009). We also completed, or contracted for, federal compliance audit work for 14 programs at eight state agencies. Results are included in the Statewide Single Audit Report. Since the September 2008 issue of this newsletter, the following reports were issued:

- *Oregon Board of Dentistry: Internal Control Review*, Report No. 2008-25
- *Oregon Short-Term Fund: An Investment Pool of the State of Oregon for the Year Ended June 30, 2008*, Report No. 2008-26
- *Department of Environmental Quality Clean Water State Revolving Fund Loan Program: for the Fiscal Year Ended June 30, 2007*, Report No. 2008-27
- *Oregon Beef Council: for the Year Ended June 30, 2008*, Report No. 2008-30 [contract]
- *Department of Human Services: Follow-Up Report on Applying Agreed-Upon Procedures: Safe Drinking Water Revolving Loan Fund*, Report No. 2008-31
- *Oregon Department of Fish and Wildlife: Follow-Up Report on Capital and Non-Capital Assets*, Report No. 2008-34
- *Oregon Housing and Community Services Department: Comprehensive Annual Financial Report Enterprise Funds for the Fiscal Year Ended June 30, 2008*, Report No. 2008-35

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Oregon Secretary of State Audits Division  
Website: <http://www.sos.state.or.us/audits/index.html>

Our goal for the Agency Outreach Newsletter is to provide agencies with helpful information that will aid in improving Oregon government. If you have any questions or ideas you would like to see covered in future issues of the newsletter, please contact us at [Audits-Outreach.sos@state.or.us](mailto:Audits-Outreach.sos@state.or.us).



## Financial Audit Highlights (continued)

- *Oregon Department of Veterans' Affairs: Annual financial Report Enterprise Funds for the Fiscal Years Ended June 30, 2008 and June 30, 2007*, Report No. 2008-36 [contract]
- *SAIF Corporation (A Component Unit of the State of Oregon) Financial Statements as of and for the Years Ended December 31, 2007, and 2006, and Independent Auditors' Report [GAAP Basis]*, Report No. 2008-37 [contract]
- *SAIF Corporation Financial Statements-Statutory Basis as of and for the Years Ended December 31, 2007, and 2006, Supplemental Schedules as of December 31, 2007, and Independent Auditors' Report*, Report No. 2008-38 [contract]
- *Oregon State Lottery An Enterprise Fund for the State of Oregon Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008*, Report No. 2008-42
- *Oregon Public Employees Retirement System: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008*, Report No. 2009-02
- *Oregon Economic and Community Development Department: Special Public Works Fund and Water Fund For the Fiscal Year Ended June 30, 2008*, Report No. 2009-06
- *Oregon Statewide Single Audit Report For the Fiscal Year Ended June 30, 2008*, Report No. 2009-07
- *Department of Human Services Safe Drinking Water Revolving Loan Fund For Fiscal Years Ended June 30, 2007 and June 30, 2008*, Report No. 2009-08

## Government Waste Hotline

Have you experienced a loss of public funds or property?

ORS 297.120 states, "when a state agency sustains a loss of public funds or property under circumstances involving a public officer...the agency shall report the loss in writing to the Division of Audits." Let us know. We can help walk you through what you need to do, who you need to contact and, most important, what you need to do to help prevent future occurrences. If you know of or suspect any fraud, waste or abuse affecting state funds or resources, call **1-800-336-8218** or report online at <http://fraud.oregon.gov>.