



**Steve Bergmann**  
Division Director

January 24, 2025

Berri Leslie, State Chief Operating Officer and DAS Director  
Department of Administrative Services  
155 Cottage Street NE  
Salem, OR 97301

Dear Director Leslie:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2024. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances 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.

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 a combination of deficiencies, in internal control, 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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Salem, Oregon 97310

## Significant Deficiency

### Improve controls over year end entries related to pension contributions subsequent to measurement date

Criteria: OAM 10.10.00.PR

The Department of Administrative Services (department) accounting section is responsible for making statewide year-end accounting entries to several net pension liability related accounts. Accounting relies on information provided to them by the Statewide Accounting and Reporting Services (SARS) section. However, accounting does not have any separate written guidance to verify all steps are accurately performed and in the correct sequence. Accounting did not perform the necessary steps in the correct sequence. As a result, the Statement of Net Position account, pension contributions subsequent to the measurement date, was overstated \$43.7 million and the expenditure account, pension contributions, was understated by \$43.7 million. According to the accounting section, some miscommunication occurred due to turnover of key personnel at both the accounting section and SARS.

**We recommend** the department's accounting section develop written guidance and key checks over the year-end process for the net pension liability entries to ensure the entries are accurate.

The above significant deficiency, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2024. Please prepare a response to each finding and include the following information as part of your corrective action plan:

1. Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Kelly Olson, Audit Manager, by January 31, 2025 and provide Rob Hamilton, State Controller, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Kelly Olson at [Kelly.I.olson@sos.oregon.gov](mailto:Kelly.I.olson@sos.oregon.gov).

Sincerely,

*Office of the Secretary of State, Audits Division*

cc: Debbie Dennis, Chief Administrative Officer and Deputy Director  
Brad Cunningham, Administrator, Operations and Finance  
Mini Fernandez, Shared Financial Services CFO  
Eli Ritchie, DAS Audit Executive  
Robert Hamilton, State Controller