



Steve Bergmann
Division Director

January 13, 2026

Brett Hanes, Legislative Administrator
Legislative Administration
900 Court St. NE, Rm. 140A
Salem, OR 97301

Dear Brett Hanes:

We have completed audit work of selected financial accounts at Legislative Administration (department) for the year ended June 30, 2025. 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, 2025, in accordance with the 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 opinions 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 a 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. We identified a deficiency in internal control that we consider to be a material weakness.

255 Capitol St NE, Ste 180
Salem, Oregon 97310

Material Weakness

Dedicate time and resources to provide reliable financial reporting.

- Criteria:** Agency management is responsible for establishing and maintaining a system of internal control which is designed to provide reasonable assurance of the reliability of financial reporting. OAM 10.10.00.PO.102
- Condition:** Discrepancies were identified between amounts recorded in the accounting system and the agency's supporting documentation for the State Capitol building and related accumulated depreciation.
- The Oregon State Capitol building, originally constructed in 1938, has undergone several capital improvement projects since then, including the current Capital Accessibility, Maintenance and Safety (CAMS) project, which is scheduled for completion in 2026.
- Given the significant improvement costs to the capital, we performed audit procedures related to the capital building asset account along with related accounts; construction in progress, accumulated depreciation, and annual depreciation expense. The Legislative Administration Committee (department) provided initial supporting documentation showing the building asset amount as \$174.5 million but the balance in the state accounting system was \$131.2 million. The department was aware that the initial support did not reconcile to the balance in the state accounting system but had not determined the accuracy of either number or identified why there was a discrepancy.
- In addition, according to initial supporting documentation, accumulated depreciation was \$57.8 million but the balance in the accounting system was \$42.2 million. The accumulated depreciation was based on incorrect useful life calculations and were also based on the incorrect, higher asset value. Finally, according to the accounting system, annual depreciation expense was not recorded in 2023.
- Cause:** Agency management did not dedicate sufficient time and resources to support reasonable assurance of the reliability of financial reporting. In addition, the agency didn't have sufficient policies and procedures in place to ensure the building and accumulated depreciation amounts are supported, accurate, consistently recorded and reviewed.
- Effect:** Due to auditor inquiries, the agency reassessed and recalculated the asset and related accounts based on available data and calculated the building balance at \$131.0 million. After department recalculation, the accumulated depreciation amount was overstated by \$19.1 million, and the current year depreciation expense was overstated by \$3.6 million.
- Recommendation:** We recommend department management dedicate sufficient time and resources to operations related to financial reporting. We also recommend department management

update policies and procedures to ensure depreciation and building balances are accurately calculated, reviewed and reported.

The above material weakness, along with your response for each finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2025. 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 by Wednesday January 21, 2026, 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, Audit Manager or Michelle Rock, Principal Auditor at kelly.l.olson@sos.oregon.gov or michelle.l.rock@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Joshua Sweet, Financial Services Manager
Adam Villarreal, Senior Accountant
Betsy Imholt, Director, Department of Administrative Services
Robert Hamilton, State Controller, Department of Administrative Services