



Steve Bergmann
Division Director

January 14, 2026

Nancy Cozine-Goldstein, State Court Administrator
Oregon Judicial Department
1163 State Street
Salem, Oregon 97301

Dear Nancy Cozine:

We have completed audit work of selected financial accounts at the Oregon Judicial Department (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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We identified a deficiency in internal control that we consider to be a significant deficiency.

255 Capitol St NE, Ste 180
Salem, Oregon 97310

Significant Deficiency

Account for county match funds in accordance with GAAP

- Criteria:** State agencies are expected to maintain accurate accounting records in accordance with generally accepted accounting principles (GAAP). (OAM 01.05.00.117)
- Condition:** The Oregon Legislature established the Oregon Courthouse Capital Construction and Improvement Fund to assist counties with costs of improving the courthouses through matching funds. The department enters into intergovernmental agreements with the counties that outline the State's contributions and terms around the county's matching funds. The agreement requires counties to deposit their share with the State as a direct transfer of funds, and within 2 business days, the department transfers the money to the county's Treasury account.
- For several projects, the department recorded the receipt of the county's deposit as revenue and the return of the deposits as expenditure. This treatment is not in accordance with GAAP, as an exchange of goods or services had not occurred for revenue recognition. Upon receipt, the department should have recorded a liability as it owed the county's deposit to the county.
- Cause:** According to the department, it receives revenue and expenditure budget limitations for county match funds. The department indicated the Legislative Fiscal Office intends to manage the flow of funds in this program in this manner.
- Effect:** Department's revenues and expenditures were overstated by \$20.7 million.
- Recommendation:** We recommend management establish a methodology related to county matching funds to ensure appropriate year-end adjustments are made so accounting records are in accordance with GAAP.

The above significant deficiency, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2025. Please prepare a response to the 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 20, 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 at kelly.l.olson@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: **Jessica Roeser, Deputy State Court Administrator**
David Moon, Business & Fiscal Services Division Director
Darrin Hotrum, Chief Internal Auditor
Betsy Imholt, Director, Department of Administrative Services
Robert Hamilton, State Controller, Department of Administrative Services