



Steve Bergmann
Division Director

January 9, 2026

Charlene Williams, Director
Oregon Department of Education
255 Capitol St NE
Salem, OR 97310

Dear Charlene Williams:

We have completed audit work of selected financial accounts at the Department of Education (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.

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Significant Deficiency

Management should ensure account coding is accurate

- Criteria:** Accounting standards require that intergovernmental expenditures be reported separately from programmatic expenditures. [GASB Cod 1800.137]
- Condition:** Debt service payments on behalf of local school districts were recorded in the state's financial system using incorrect account coding.
- Cause:** The department's input documentation had the correct coding. However, an error was made when entering it into the accounting system. The department's review and approval procedures did not identify the error.
- Effect:** Intergovernmental expenditures were understated and services and supplies expenditures were overstated by \$31.7 million.
- Recommendation:** We recommend department management ensure that review procedures are effective in detecting and correcting coding errors.

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 by January 16, 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 Geoff Hill, Principal Auditor, at kelly.l.olson@sos.oregon.gov or geoff.m.hill@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Kai Turner, Assistant Superintendent of Finance and Information Technology
Amber Forster, Chief Financial Officer
Kristie Miller, Accounting Manager
Lisa Durden, Internal Auditor
Jennifer Scurlock, Chair, State Board of Education
Betsy Imholt, Director, Department of Administrative Services
Robert Hamilton, State Controller, Department of Administrative Services