

Office of the Secretary of State

Kate Brown
Secretary of State

Brian Shipley
Deputy Secretary of State

**Audits Division**

Gary Blackmer
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255
fax (503) 378-6767

December 20, 2012

Colette Peters, Director
Department of Corrections
2575 Center Street NE
Salem, Oregon 97301-4667

Dear Ms. Peters:

We have completed audit work of selected financial accounts at the Department of Corrections (department) for the year ended June 30, 2012.

This audit work was not a comprehensive audit of the department. We performed this audit work as part of our annual statewide financial audit. The objective of the statewide audit was to express an opinion on whether the financial statements contained in the State of Oregon's Comprehensive Annual Financial Report were fairly presented, in all material respects, in conformity with generally accepted accounting principles.

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

We audited the following accounts at the department and determined their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements.

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
<u>GAAP Fund 0001 – General Fund</u>		
3111	Regular Employees	\$211,804,183
3210	Public Employees Retirement Contribution	47,379,913
3212	Pension Bond Assessment	14,130,616
3221	Social Security Taxes	17,818,732
3263	Medical, Dental, Life Insurance	59,736,642
4xxx	Services and Supplies	140,263,942
6300	Distribution to Counties	90,737,232

GAAP Fund 0054 – GASB 54 General Fund

3111	Regular Employees	\$1,316,404
3210	Public Employees Retirement Contribution	312,431
3212	Pension Bond Assessment	89,959
3221	Social Security Taxes	112,324
3263	Medical, Dental, Life Insurance	441,415

GAAP Fund 1103 – Community Protection Fund

3111	Regular Employees	\$882,202
3210	Public Employees Retirement Contribution	212,041
3212	Pension Bond Assessment	63,365
3221	Social Security Taxes	78,598
3263	Medical, Dental, Life Insurance	248,046

GAAP Fund 8500 – Government-Wide Reporting Fund

0852	Buildings and Building Improvements	\$720,828,553
0875	Accumulated Depreciation – Buildings	180,169,902

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 combination of deficiencies, 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.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than the specified parties.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Manager

KLO:JMH:nmj

cc: Tami Dohrman, Assistant Director, General Services
Shawn Haywood, Internal Audits Administrator
Michael J. Jordan, Director, Department of Administrative Services