

Office of the Secretary of State

Bev Clarno
Secretary of State

Jeff Morgan
Interim Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

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

503-986-2255

December 22, 2020

Chris Cummings, Interim Director
Oregon Business Development Department
775 Summer Street NE, Suite 200
Salem, Oregon 97301

Dear Mr. Cummings:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2020. 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, 2020, 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 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.

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

Prior Year Finding

In the prior fiscal year, we reported a material weakness related to the department's accounting for the investments in the Oregon Growth Account in a letter dated December 31, 2019. This finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2019, see Secretary of State audit report number 2020-14, finding number 2018-006. During fiscal year 2020, the department implemented a quarterly reconciliation process and made progress towards

establishing policies and procedures, but some of the agency's planned corrections were not completed as of the end of the fiscal year. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2020, with a status of Partial Corrective Action Taken.

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 Alan Bell, Principal Auditor at (503) 986-2255.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Brenda Bateman, Assistant Director, Operations & Finance Division
Renee Frazier, Chief Financial Officer
Christina McMichael, Accounting Manager
Brooks Peacock, Chief Audit Executive
Kanth Gopalpur, Chair, Oregon Business Development Commission
Sayer Jones, Co-Chair, Oregon Growth Board
Sabrina Parsons, Co-Chair, Oregon Growth Board
Katy Coba, Director, Department of Administrative Services