

# Oster Professional Group

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Board of Directors  
Harney Education Service District Region XVII  
Harney County, Oregon

In planning and performing our audit of the financial statements of Harney Education Service District Region XVII as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Harney Education Service District Region XVII's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harney Education Service District Region XVII's system of internal controls. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls and since we do not audit every transaction, rather rely on selective testing of transactions, it is not physically possible to identify every instance of fraud or misrepresentation. Accordingly, we do not express an opinion on the effectiveness of Harney Education Service District Region XVII's system of internal controls.

## Fixed Assets

We noted during our inspection of fixed asset records that the district did not have the proper controls in place to ensure that assets placed in service in years prior were still in existence. We recommend that an annual inspection of fixed assets be performed to ensure the presence of all assets.

## Generally Accepted Accounting Principles (GAAP)

While reviewing capital assets acquisitions, we noted that a check was written, properly authorized, and then held by the business manager for delivery upon receipt of the asset. The delivery of the asset is not expected at this time until September. In addition, reimbursable grant funds were requested based on this expenditure. We recommend that checks only be written and authorized when they are to be given immediately to vendors.

These matters were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2011 basic financial statements. This report does not affect our report on these financial statements. This report is intended solely for the use of Harney Education Service District and should not be used for any other purpose.

*Oster Professional Group, CPA's*

By  \_\_\_\_\_

Burns, Oregon  
December 29, 2011

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December 29, 2011

To the Board of Directors  
and Management of the Harney Education Service District Region XVII

We have audited the basic financial statements of Harney Education Service District Region XVII as of and for the year ended June 30, 2011, and have issued our report thereon dated December 29, 2011. Professional standards require that we advise you of the following matters relating to our audit.

#### Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our engagement letter dated June 1, 2011, our responsibility, as described by professional standards, is to plan and perform our audit to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Harney Education Service District Region XVII solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding other matters noted during our audit in a separate letter to you dated December 30, 2011.

#### Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Harney Education Service District Region XVII's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

#### Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

