

Oster Professional Group

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Ed Dennis
Deputy Superintendent of Public Instruction

Jim Mabbott
Co-Chair
Oregon Association of ESD's

Dear Sirs,

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harney Education Service District Region XVII (HESD) for the last several years spanning over a decade. We have always conducted our audit 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided reasonable basis for our opinions. We have performed testing of internal control procedures as well as providing recommendations to the management of HESD for improvements of these procedures. HESD has not been subject to single audit procedures since fiscal year ending June 30, 2003. We have, however, performed specific testing of compliance with various grants.

Independent Auditor's Reports

Our opinions issued in the independent auditor's reports have been as follows:

- June 30, 2009 – Unqualified
- June 30, 2008 – Unqualified
- June 30, 2007 – Qualified due to lack of adequate records relating to fixed assets.
- June 30, 2006 – Unqualified
- June 30, 2005 – Unqualified
- June 30, 2004 – Unqualified

Credit Cards

As part of our general auditing procedures, we have tested credit card invoices. We have increased our focus on credit card use and receipt documentation in the last two years, as we have seen issues with lack of receipts and procedures in other governments as mentioned by the General Accounting Office of the United States. As such, HESD has had no management points or areas in need of improvement in regard to credit card use.

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"90/10" Rule

As part of our general auditing procedures, we have tested compliance with ORS 334.177. We have found HESD to be in compliance with this requirement when tested.

Management Points

At the conclusion of our audits, we have issued HESD's management letters outlining areas for improvement. To date, the management points have been corrected appropriately within a reasonable amount of time after the issuance of the management letters. The following is a list of all the management points reported since the June 30, 2004 audit:

- Classification detail needed for expenditures relating to Eastern Oregon Technology noted on the first year of operation
- Fixed assets – lack of adequate records for audit
- Eastern Oregon Technology – lack of physical inventory and opportunity to audit inventory values, lack of segregation of billing and payment receipts, and policy creation for collections and electronic payment processing
- Oregon Budget Law – use of “catch-all” resolution instead of constant monitoring of budget compliance
- Internal control procedures – areas for improvement on oversight of adjusting journal entries, bank reconciliations, business manager's expense reports and credit card as well as documentation of the oversight

If I could provide further assistance regarding HESD, please let me know. I can be reached by email at mjevers@opgcpa.com or at 541-573-6151.

Sincerely,



Mary Jo Evers, CPA

Burns, Oregon
March 10, 2010