OREGON UNIVERSITY SYSTEM

Communication With Those Charged With Governance

JUNE 30, 2010
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee of the
Oregon State Board of Higher Education
And the Oregon Secretary of State Audits Division

We have audited the financial statements of the Oregon University System (the “System”) for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As discussed with the Audit Committee Chair on July 12, 2010 as well as per our contract with the Oregon Secretary of State Audits Division, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the 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 Oregon University Systems’ internal control over financial reporting. Accordingly, we considered Oregon University System’s internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are 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 encountered no significant findings as a result of performing and completing our audit.
Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Oregon University System’s audited financial statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and 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.

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 performed the audit according to the planned scope and timing previously communicated to you as discussed with the Audit Committee Chair on July 12, 2010 as well as per our contract with the Oregon Secretary of State Audits Division.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Oregon University System are described in Note 1 to the financial statements. The System implemented Government Accounting Standards Board (GASB) Statement No. 51, Accounting and Reporting for Intangible Assets, effective for the year ended June 30, 2010. This statement requires that all intangible assets not specifically excluded by its provisions be classified as capital assets. To adopt GASB 51, the System recorded intangible assets, net of amortization, of $12.5 million as of July 1, 2009.

There were no changes in the application of existing policies during 2010. We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.
Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were allowance for uncollectible accounts receivable at June 30, 2010, the useful lives of capital assets, and the actuarial determined liability related to other post employment benefit obligations.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were Note 13 and 14 related to retirement plans and postretirement benefits and Note 18 related to the component units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements detected as a result of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management that are included in the management representation letter dated November 30, 2010.
Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Oregon University System’s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the System’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Independence

We are required to disclose to those charged with governance, in writing, all relationships between the auditors and the System, which in our professional judgment, may reasonably be thought to bear on our independence. We know of no such relationships. We confirm that, in our professional judgment, we are independent of the Oregon University System within the meaning of professional standards.

This information is intended solely for the use of Audit Committee of the Oregon State Board of Higher Education, the Oregon Secretary of State Audits Division and management of the Oregon University System and is not intended to be and should not be used by anyone other than these specified parties.

Eugene, Oregon
November 30, 2010