

W. 5. b.

June 30, 2003

In connection with an audit of our financial statements, please furnish answers to the following questions, sign your name, and return the questionnaire in the enclosed envelope directly to our auditors; Jones & Roth; PC PO Box 10086, Eugene, OR 97440. The first portion of the questionnaire is designed to obtain information about transactions between Lane County and any related parties. The second portion of the questionnaire is designed to assist the auditors in assessing the risk of fraud throughout the County.

Related parties include members of the governing body (city council, commissioners court, etc.); board members (board of education, zoning board, etc.); administrative officials (mayor, city manager, school superintendent, director of public works, etc.); immediate families of administrative officials, board members, and members of the governing body; and affiliated governmental units not included in the financial statements, such as a metropolitan water and sewer system.

There are two types of fraud that concern the auditors:

1. Misstatements Resulting from Fraudulent Financial Reporting. Misstatements resulting from fraudulent financial reporting (often referred to as management fraud) are intentional misstatements or omissions of amounts or disclosures from the financial statements with the intent of deceiving financial statement users. The effect of those misstatements causes the financial statements not to be presented, in all material respects, in conformity with GAAP (or an OCBOA). Examples that may be encountered in a local government include:
 - Misstating revenue/expenditure amounts to impact management compensation or performance assessment based on budgetary goals or program results.
 - Overstating assets or revenues or understating liabilities or expenses/expenditures in order to comply with debt covenants.
 - Overstating earnings to improve or maintain current credit rating for tax exempt debt.

2. Misstatements Resulting from Misappropriation of Assets. Misstatements resulting from misappropriation of assets (often referred to as defalcation, embezzlement, theft, or employee fraud) involve theft of the government's assets that results in the financial statements not being presented, in all material respects, in conformity with GAAP (or an OCBOA). Misappropriation of assets can be committed in many ways, including embezzlement of cash receipts, stealing assets, or causing the government to pay for goods and services not received (or paying inflated prices for goods and services received). This type of fraud may be facilitated by the falsification, alteration, or other manipulation of accounting records or source documents, possibly by circumventing controls. In addition, misappropriation may be committed by one or more individuals in management, by employees, or by third parties.

Please answer all questions. If the answer to any question is "yes," please explain in the space provided.

Very truly yours,

David Suchart
Director of Management Services

RELATED PARTY ISSUES

1. Have you or any related party of yours had any material interest, direct or indirect, in any of the following transactions since July 1, 2002 to which the Lane County was, or is to be, a party?

	YES	NO
• Sale, purchase, exchange, or leasing of property?	_____	<u> X </u>
• Receiving or furnishing of goods, services, or facilities?	_____	<u> X </u>
• Transfer or receipt of income or assets?	_____	<u> X </u>
• Maintenance of bank balances as compensating balances for the benefit of another?	_____	<u> X </u>

2. Have you or any related party of yours been indebted to the Lane County at any time since July 1, 2002? Please exclude amounts due for ordinary travel and expense advances.

YES _____ NO X

3. Have you or any related party of yours had any material interest, direct or indirect, in any transactions since July 1, 2002, or in any pending or incomplete transactions, to which any pension, retirement, savings, or similar plan provided by Lane County was, or is to be, a party? Do not include payments to a plan or payments by the plan made pursuant to the terms of the plan.

YES _____ NO X

RISK OF FRAUD ISSUES

4. Within your department, what are the risks of fraud?

RISK OF FRAUD ISSUES, continued

5. Do you have knowledge of any fraud or suspected fraud?

6. Is Lane County complying with laws and regulations?

7. Are you aware of any allegations of fraud or suspected fraud?

8. Do you communicate to employees the importance of ethical behavior? How?

9. What programs or controls are implemented to address identified fraud risks or otherwise help prevent, deter, and detect fraud, and how those programs and controls are monitored.

To: Jones & Roth, PC

The answers to the foregoing questions are correctly stated to the best of my knowledge and belief.

Date: _____

Signature: _____

Department: _____

Title: _____