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Auditing for a Better Oregon

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Katy Coba, Director
Oregon Department of Agriculture
635 Capitol St. NE
Salem, Oregon 97301-2532

Dear Ms. Coba:

We have completed our risk assessment of controls over the receipting, handling and disbursement of cash at the Oregon Department of Agriculture (department). The purpose of this assessment was to determine whether controls over cash have been established and are working properly. Specifically, we reviewed the department's processes for bank reconciliations, cash receipts, deposits and expenditures. We also reviewed the department's control procedures for safeguarding check stock. Our assessment included interviews with employees, review of policies and procedures and observation of selected department processes.

During our risk assessment, we identified opportunities for the department to improve controls. Our assessment found that:

- Although the majority of payments received are mailed to the department's lockbox, the department does receive some payments in the mail. The department, however, does not maintain a record of the payments received in the mail, but forwards them to the department's lockbox for deposit. The Oregon Accounting Manual states that it is imperative that cash receipts be recorded, in the form of a mailroom listing or some other remittance advise, as soon as they come within the agency's control in order to reduce the risk of loss.

- Funds collected by the cashier at the department's service window are deposited and recorded by the same person. Occasionally, the same person may also collect the funds at the window. In addition, the funds deposited are not reconciled with the receipts provided to the customer. In order to provide adequate controls over cash receipts to reduce the risk of loss of funds, it is important that the following functions are done by different individuals: collection of funds, recording of funds, and deposit of funds.

- Occasionally, a brand inspector will receive payment in the form of cash. The inspector will either mail the cash to the department for processing, or deposit the cash into his or her personal bank account, and then mail a personal check payable to the department to

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the department's lockbox for deposit. The *Oregon Revised Statutes* state that all moneys collected or received by a state organization shall be turned over to the State Treasurer.

- The department maintains a $75,000 revolving fund whose sole purpose over time has become to replenish the $350 petty cash fund. As a result, the balance in the revolving fund appears excessive and may create an unnecessary risk of potential loss of funds.

We recommend that the department consider the following:

- Have separate individuals maintain a listing of the payments received in the mailroom, deposit the receipts at the bank, and reconcile the listing to amount deposited.

- Ensure appropriate segregation of duties of the cash receipts function and implement procedures to reconcile the funds deposited to the receipts provided to the customer.

- Review how brand inspectors receive payments in the field and identify ways to eliminate the acceptance of cash. Consider whether it is possible to require customers to use a department charge account or submit payments directly to the department's lockbox.

- Evaluate the size and/or the need of the department's revolving fund.

Based on our risk assessment, except for the issues noted above, it appears that, overall, the Oregon Department of Agriculture has established sufficient controls over the receipting, handling and disbursement of cash.

Should you have any questions concerning these issues, feel free to contact Aaron Hunter or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Administrator

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