OFFICE OF THE
SECRETARY OF STATE
Bill Bradbury
Secretary of State

AUDITS DIVISION
Cathy Pollino
Director

(503) 986-2255
FAX (503) 378-6767

Auditing for a Better Oregon

July 15, 2003

Marvin Brown, State Forester
Oregon Department of Forestry
2600 State Street
Salem, Oregon 97310

Dear Mr. Brown:

During our audit of capital and non-capital assets, we noted certain issues that we believe deserve your attention. These issues are of lesser significance and did not warrant inclusion in our report. The issues are summarized below, along with our recommended actions.

Forestland May Be Incorrectly Valued

In the 1930s and 1940s, forestland was deeded to the Oregon Department of Forestry (department) by Oregon counties. State policy states that land acquired by donation should be recorded at the fair market value at the time of donation. The department decided to record the land at $1 per acre; however, the department does not have documentation to support this recording and the value of the land may be misstated.

We recommend that the department research the fair market value of the forestland at the time it was deeded and make any necessary adjustments.

Building Balance Requires Adjustment

We tested buildings at three department locations to determine if the buildings on the property ledger existed. We found that one building had recently been destroyed. State policy requires property disposition request (PDR) forms to be completed for each disposed asset. In this situation, a PDR was not completed and the building was not removed from the property ledger.

We recommend that the department complete a PDR for the disposition of this building and remove the building from the property ledger.

Land Improvements Misclassified

We reviewed a sample of land assets and identified two land improvements that were inappropriately classified as land. According to state policy, land is not depreciable, but land improvements are depreciable. The misclassification causes land to be overstated and land improvements and related depreciation expense to be understated.

255 Capitol Street NE • Suite 500 • Salem, Oregon 97310
INTERNET: Audits.hotline@state.or.us • http://www.sos.state.or.us/audits/audithp.htm

We recommend that the department reclassify the land improvements and make the necessary accounting adjustments.

Assets not Capitalized

We reviewed listings of non-capital assets at three department locations. At one location, we identified two assets that had acquisition costs exceeding the capitalization threshold that were not capitalized. Capital assets with an acquisition cost of $5,000 or greater and a useful life of at least one year should be capitalized and reported in the agency's accounting records. Not capitalizing these assets caused asset balances and depreciation expense to be understated. The department has begun the process of reclassifying these assets.

We recommend that the department continue its reclassification of these assets and make the necessary adjustments to accounting records including calculating and recording depreciation expense.

Buildings Not Identified

We found that the department's buildings were not uniquely identified with property numbers. State policy requires capital assets to be marked with pre-numbered identification tags. At the time of our audit, however, we noted that the department was in the process of taking a picture of each building to ensure that the buildings could be appropriately identified by all staff.

We recommend that the department continue taking pictures of each building and affix a pre-numbered identification tag to department buildings to ensure that they are appropriately identified.

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

Sincerely,
OREGON AUDITS DIVISION

Jason M. Stanley, CPA
Audit Administrator

JMS:brk