



---

*Auditing for a Better Oregon*

January 21, 2004

Lindsay Ball, Director  
Oregon Department of Fish and Wildlife  
3406 Cherry Avenue NE  
Salem, OR 97303-4924

Dear Mr. Ball:

The statewide single audit that included selected financial accounts at Oregon Department of Fish and Wildlife for the year ended June 30, 2003, has been completed. This statewide single audit work is not a comprehensive audit of your agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's Comprehensive Annual Financial Report and to report on internal control and the state's compliance with laws and regulations. Regular audits of the Oregon Department of Fish and Wildlife will continue on a periodic basis.

The following Oregon Department of Fish and Wildlife accounts and transactions were audited to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements.

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
<u>Special Revenue Fund</u>		
0224	Hunter and Angler Licenses	\$32,196,984
0300	Federal Revenue	40,569,480
3111	Regular Employees	31,518,815
3210	Public Employees Retirement Contribution	4,870,165
3263	Medical, Dental, Life Insurance	4,640,745
4500	Professional Services	6,691,532
4976	Agency Program Related Supplies	7,323,621
6136	Distribution to State Police	5,845,808
0503	Accounts Receivable – Other Unbilled	(117,404)
0542	Accounts Receivable – Federal – Unbilled	7,383,639
0543	Accounts Receivable – Federal – Billed	3,839,870

---

Management Letter No. 635-2004-01-01

Based on our audit, we identified two reportable conditions needing corrective action and six other matters considered non-reportable. Our findings and recommendations are presented in the enclosed Audit Findings and Recommendations Summary accompanying this letter.

The reportable conditions, along with your responses, will be included in our statewide audit report. Including your responses with responses from other state agencies satisfies the federal requirement that management prepare a Corrective Action Plan (CAP) covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to each reportable finding includes the information specified by the federal requirement, and only if the responses are received in time to be included in the audit report. The following information is required for each response:

1. Your agreement or disagreement with the finding. If you do not agree with an audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

The other conditions are issues of lesser significance that we wanted to communicate to agency management. These conditions do not require a Corrective Action Plan. We will follow up on the Oregon Department of Fish and Wildlife's progress in addressing these issues during the next fiscal year audit.

For the reportable conditions, please respond by January 30, 2004.

Should you have any questions, feel free to contact Ben Wilson or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Jason M. Stanley, CPA  
Audit Administrator

JMS:brk

cc: Terry Bonebrake, Fiscal Services Manager  
Deanne Depew, Administrative Services Director  
Gary Weeks, Director, Department of Administrative Services

Lindsay Ball, Director  
Oregon Department of Fish and Wildlife  
Page 3

## **Audit Findings and Recommendations Summary Oregon Department of Fish and Wildlife Statewide Audit State Fiscal Year 2003**

### **REPORTABLE CONDITIONS**

#### Headquarters Point of Sale Reconciliation

The Oregon Department of Fish and Wildlife (department) licensing office located at the Salem headquarters does not reconcile the point of sale (POS) licensing system and the cash register system for fax/mail order license sales. To account for licensing sales, the department uses the POS system to generate the license or tag and a cash register system to record the receipt of cash. A nightly reconciliation of cash, checks, and credit card activity is done to compare amounts received to amounts in the cash register system. Because reconciliation is not completed between the POS licensing system and the cash register system for fax and mail sales, the department is not comparing the value of total licenses sold to the value of cash received. The absence of this control increases the risk of misappropriation.

**We recommend** that the department strengthen its controls over cash receipts by reconciling cash register sales to the licensing system to ensure that all cash receipts have been properly accounted for.

#### Point of Sale (POS) Canceled Document Process

The department does not have a process to review voided or canceled transactions from the point of sale (POS) licensing system. In fiscal year 2002 testing, we noted that agents were not submitting all required documentation for voided and canceled transactions. Even though the department has not implemented our prior recommendation, management stated that they are developing a solution to adequately track these documents.

**We recommend** that the department develop a comprehensive system of reviewing voided/canceled documents received from POS licensing system agents.

### **OTHER CONDITIONS**

#### Headquarters Point of Sale Reconciliation Review

Management does not review POS to cash register system reconciliations for over the counter sales made at the department's headquarters. The same employees who perform license sales duties also performed the reconciliation.

According to the *Oregon Accounting Manual* (OAM) 10.10.00.PR, agencies should maintain a proper segregation of duties for authorization, recordkeeping, and custody of the related assets to reduce the opportunities for any individual to be in the position to both perpetrate and conceal errors or fraud in the normal course of duties.

**We recommend** that management review licensing sales reconciliations to ensure proper segregation of duties.

#### Payroll Review and Reconciliations

The OAM requires that a manager outside of the payroll unit review the gross pay adjustments prior to release (OAM 45.35.00) and that the Oregon State Payroll Application (OSPA) reports are reconciled to SFMA (OAM 45.17.00). The department is not currently performing a review of these adjustments or performing a reconciliation of these two systems.

**We recommend** that the department assign a manager, who is not in the payroll unit, to review and approve the Gross Pay Adjustment reports prior to release. The department should also reconcile the OSPA reports to SFMA.

#### Payroll Segregation of Duties

The department did not properly segregate payroll duties: the same employee who receives, processes, and distributes payroll checks and stubs also has access to update the payroll system. OAM 45.45.00.PO states, "In keeping with generally accepted internal control procedures, persons other than State Controller's Division OSPS Central Payroll staff who have been granted payroll update access are precluded from receiving or processing payroll checks and stubs prior to their regular distribution on the published release date (pay day)."

**We recommend** that the department review employee access to the payroll update system to ensure that the same person that receives and processes payroll checks and stubs has not been granted payroll update access.

#### Untimely Federal Expenditure Reconciliation Review

We reviewed federal expenditure reconciliations for November 2002 and May 2003. The May 2003 reconciliations were completed on July 31, 2003 and had not been reviewed as of November 5, 2003. The federal expenditure reconciliation is performed to ensure that the department is correctly requesting federal reimbursement for funds spent. Timely review of this process helps ensure that the process is working as intended.

**We recommend** that the department review these reconciliations in a timely manner.

#### Contracting

We found the department did not always retain required documentation in contract files. Specifically, the missing documentation included copies of solicitation requests or sole source justification, names of prospective vendors that were contacted, and copies of the proposal that resulted in the contract.

In addition, we found that the department should review its contracting practices to ensure that state solicitation and approval requirements are being followed. We found one instance in which the department executed two contracts containing similar statements of work with one vendor. The two contracts totaled \$40,000 and \$60,000 respectively, and were signed one day apart. This practice

gives the appearance the department is fragmenting contracts to circumvent additional approvals required of contracts greater than \$75,000.

**We recommend** that the department review its contracting practices to ensure compliance with state contracting rules, including proper documentation, solicitation, and approval requirements.

Timely Payment of Invoices

Invoices from vendors are not consistently paid within a reasonable amount of time. The Accounts Payable Unit does not receive invoices from the field offices in time to either pay in the correct time period or to include in the financial statement adjustments at the end of the fiscal year. These delays cause payments to be posted to the wrong fiscal year. In addition, the department may incur late charges for payments made past the due date.

**We recommend** that the department review and improve internal control procedures over the payment of invoices to ensure that invoices are sent directly to the Accounts Payable Unit, and the field offices are aware of the information they are required to provide for timely payment.