



Auditing for a Better Oregon

May 27, 2005

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

Dear Mr. Ball:

The Audits Division has completed the constitutionally mandated audit of agencies that had Measure 66 expenditures for the 2001-03 biennium. The purpose of our audit was to determine the following: (1) whether agencies receiving Measure 66 funds spent them as the constitution intended and reported expenditures accurately for the 2001-03 biennium; and (2) whether agencies have established performance measures and are gathering the necessary Measure 66 data relevant to those performance measures. As it relates to the second objective, please refer to audit report No. 2005-17 for the results of our audit.

We found that the Oregon Department of Fish and Wildlife (department) expended its Measure 66 funds for the 2001-03 biennium substantially in compliance with laws and regulations. While expenditures were substantially in compliance with laws and regulations, we noted the following information that we wanted to share with management:

- We tested the department's services and supplies expenditures, which were a mixture of both operational and capital Measure 66 expenditures. We found one operation expenditure and one capital expenditure not in compliance with the laws and regulations of Measure 66 expenditures. The operating expenditure was for the purchase of a retirement plaque totaling \$87; the capital expenditure was for travel expenses to hire an office specialist totaling \$248. **We recommend** the department ensure services and supplies expenditures charged to Measure 66 meet the applicable laws and regulations.
- We tested the department's payroll expenditures, which were a mixture of both operational and capital Measure 66 expenditures. During our testing, we noted the following three instances: (1) 22 hours were inappropriately recorded as Measure 66 operating expenditures due to an incorrect payroll adjustment, resulting in \$217 of questioned costs; (2) an office specialist recorded no hours to a specific project but recorded 44 non-project specific hours totaling \$1,024 as Measure 66 capital expenditures; and (3) a regional coordinator recorded 136 non-project specific hours

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totaling \$3,095 as Measure 66 capital expenditures. Based on other Department of Justice (DOJ) advice received, costs charged to Measure 66 capital expenditures should be for a specific project to restore or protect a wild salmonid population, watershed or habitat area or water quality in a particular area. **We recommend** the department not charge non-project specific hours as Measure 66 capital expenditures. If these hours are charged, the department should be able to explain which project benefited.

- As part of our testing, we also reviewed payroll costs charged as Measure 66 expenditures and sought advice from DOJ on charging vacation leave and sick leave as a Measure 66 capital expenditure. Based on DOJ advice, leave earned by department employees during periods of work on Measure 66 capital projects would qualify as a capital expenditure. Because accrued leave is essentially fungible, the department should develop a set of consistent policies for allocating and accounting for Measure 66 leave to ensure its correct treatment. Currently, the department does charge some leave to specific projects. However, the department does not have a mechanism in place for us to determine if the leave charged was allowable or not. **We recommend** the department ensure that leave charged as Measure 66 capital expenditures during the 2003-2005 and future bienniums does not exceed leave earned when the employee was working on a Measure 66 capital project.

Should you have any questions, please contact me at (503) 986-2349.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Manager

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enclosures

c: Kris Kautz, Deputy Director
Terry Bonebrake, Fiscal Manager
Laurie Warner, Acting Director, Department of Administrative Services