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*Auditing for a Better Oregon*

January 10, 2006

Tim Wood, Director  
Oregon Parks and Recreation Department  
725 Summer Street NE, Suite C  
Salem, Oregon 97301-1271

Dear Mr. Wood:

The statewide single audit that included selected financial accounts at Oregon Parks and Recreation Department (department) for the year ended June 30, 2005, has been completed.

This statewide single audit work is not a comprehensive audit of your department. 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 department will continue on a periodic basis.

The following 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>
Special Revenue Fund – Environmental Management (GAAP Fund 1107)		
0065	Unreconciled Deposit	\$ 204,016
0070	Cash on Deposit with Treasurer	29,342,782
1378	Transfer In From Dept. of Transportation	23,311,111
1402	Transfer Out Lottery Proceeds	8,963,079
3111	Regular Employees	16,752,258
3210	Public Employees Retirement Contribution	1,685,056
3221	Social Security Taxes	1,380,545
3263	Medical, Dental, Life Insurance	2,664,732
3264	Medical, Dental, Life Insurance-Agency Subsidy	1,652,232
4xxx	Various Services and Supplies	18,757,135

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Based on our audit, we did not identify any reportable conditions related to the accounts audited. However, we did identify other conditions, which are issues of lesser significance that we wanted to communicate to agency management. These conditions are presented in the enclosed Audit Findings and Recommendations Summary accompanying this letter. These conditions do not require a Corrective Action Plan. We will follow up on the department's progress in addressing these issues during the next fiscal year audit.

Should you have any questions, please contact Gary Fredricks or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Ryan K. Dempster, CPA, CFE  
Audit Manager

RKD:bk

cc: Kyleen Stone, Assistant Director Administration/Financial Services Manager  
Shirlene Gonzalez, Accounting Manager  
Polly Parker, Internal Auditor  
Lindsay Ball, Director, Department of Administrative Services

**Audit Findings and Recommendations Summary**  
**Oregon Parks and Recreation Department**  
**State Fiscal Year 2005**

**OTHER CONDITIONS**

Payroll Duties Inadequately Segregated

The Oregon Accounting Manual (45.45.00.PO) prohibits agency personnel who have update access in the Oregon State Payroll Application (OSPA) from receiving or distributing payroll checks or direct deposit stubs. We noted that the two individuals responsible for receiving and distributing payroll checks and direct deposit stubs have OSPA update access. This assignment of duties increases the risk that errors or fraud will not be detected.

**We recommend** that the department assign the duties of receiving and distributing payroll checks and direct deposit stubs to staff that do not have update access in OSPA.

Incorrect Deduction for Life Insurance

While testing payroll transactions we noted that the voluntary deduction for life insurance was incorrect for one employee. The employee was authorized and approved coverage of \$300,000 at a monthly cost of \$45. However, \$60, the amount for \$400,000 coverage, was incorrectly deducted from the employee's payroll.

**We recommend** the department correct the insurance deduction amount, determine the total amount incorrectly deducted, and compensate the employee accordingly.