

Office of the Secretary of State
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Secretary of State

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Deputy Secretary of State



Audits Division
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January 26, 2007

Virgil Moore, Director
Oregon Department of Fish and Wildlife
3406 Cherry Avenue NE
Salem, Oregon 97303

Dear Mr. Moore:

The statewide single audit that included selected financial accounts and federal awards at the Oregon Department of Fish and Wildlife (department) for the year ended June 30, 2006, 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 department 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 Deposits	\$ 1,968,174
0070	Cash on Deposit with Treasurer	28,624,204
0224	Hunter and Angler Licenses	38,682,952
0300	Federal Revenue	50,168,419
3111	Regular Employees	35,374,105
3221	Social Security Taxes	2,823,694
4xxx	Various Services and Supplies	31,518,232

We also determined whether the department substantially complied with the federal requirements relevant to the following federal program.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
12.106	Flood Control Projects	\$6,801,864

Based on our audit, we identified no reportable conditions related to the accounts and program audited. However, we identified conditions needing corrective action. Our findings and recommendations are presented in the enclosed Audit Findings and Recommendations Summary accompanying this letter. These 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 department's progress in addressing these issues during the next fiscal year audit.

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

Sincerely,
OREGON AUDITS DIVISION

Mary E. Wenger, CPA
Deputy Director

MEW:brk

cc: Scott Hayes, Accounting Services Manager
Tom Ruddiman, Interim Administrative Services Division Administrator
Lindsay Ball, Director, Department of Administrative Services

Audit Findings and Recommendations Summary
Oregon Department of Fish and Wildlife
State Fiscal Year 2006

OTHER CONDITIONS

Point of Sale Licensing System Reconciliation

The Oregon Department of Fish and Wildlife (department) licensing office, located at its Salem headquarters, does not perform a reconciliation between the Point of Sale (POS) licensing system and the cash register system for fax/mail order license sales. To account for the licensing sales, the department uses the POS system to generate the license or tag and then a cash register system to record the receipt of cash. A daily reconciliation of cash, checks, and credit card activity is done to compare amounts received to amounts in the cash register system. However, a reconciliation is not performed between the POS licensing and the cash register systems to ensure that licenses generated in the POS system match revenue received in the cash register for fax/mail order license sales. The absence of this control increases the risk of misappropriation of licenses and tags.

We recommend the department strengthen its controls over license sales by performing timely reconciliations between the fax/mail order cash register system and the POS licensing system to ensure monies have been received for all sales.

Inadequate Procedures for Estimating Federal Revenue and Accounts Receivable

The department reports all federal receivables as current assets with a corresponding recognition of federal revenue. State policy requires, however, that current receivables and revenue only be reported if payment is expected within 90 days of year-end (Oregon Accounting Manual 15.35.00.PR.102). Based on our testing, we estimated that \$3.8 million of the reported \$15.4 million current receivables was not paid within 90 days after year-end. As a result, receivables and federal revenue were overstated by \$3.8 million at June 30, 2006. The department made an audit adjustment to correct the year-end balances in these accounts.

The department does not have written policies and procedures for the investigation of outstanding receivables or the processing of receivables. This deficiency can result in the loss of federal funds when unpaid receivables are not actively collected and can result in overstatements of current receivables and federal revenues.

We recommend the department develop and implement policies and procedures to ensure proper recording of federal revenue and related receivables.

Department Not Compliant with Deposit Requirements

According to Oregon Revised Statute 293.265, moneys received by state agencies to be expended on behalf of the state must be deposited with the State Treasurer not later than one business day after collection or receipt of funds. The deposit requirement may also be met using a reasonable, longer period of time, if the department documents a valid business reason for using a longer transmittal period and communicates this to the Secretary of State.

While following up on this finding from the 2005 statewide audit, department management stated that field offices continue to receive funds that are not always deposited within one day of receipt. Further, the department has not submitted documentation to the Secretary of State supporting a longer transmittal period.

We recommend the department develop and implement a policy for depositing funds in compliance with next-day deposit requirements. If next-day deposits are not practical, we recommend the department submit documentation to the Secretary of State supporting a longer transmittal period.

Federal Revenue Reconciliations

The department receives federal funds from eight different appropriations. Each month the department performs a reconciliation for each appropriation to compare federal expenditures of the prior month with federal revenues for the current month. This reconciliation helps to ensure the department is recovering all funds it should and that its requests for federal reimbursements are completed timely. The reconciliation also ensures information between the accounting and billing systems agree. We selected all eight reconciliations for four separate months. We found that none of the 32 reconciliations had been reviewed and that 9 of the 32 reconciliations were not performed timely.

According to Oregon Accounting Manual 10.30.00.PR.102, management should ensure reconciliations are performed timely and are adequately reviewed and approved. Over the past year, the position performing the reconciliation review was vacated and has not been filled. Although this review process was reassigned, the reviews were not performed. Without review of the reconciliations, errors could remain undetected.

We recommend the department ensure reconciliations are performed timely and are adequately reviewed and approved.