



# Oregon

Theodore R. Kulongoski, Governor

Department of Forestry

State Forester's Office

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October 28, 2008

Charles A. Hibner, CPA, Director  
Audits Division, Office of the Secretary of State  
255 Capitol Street NE, Suite 500  
Salem, OR 97310



"STEWARDSHIP IN FORESTRY"

RE: Final Draft Report No. 2008-00 Departments of Forestry and State Lands: Review of Common School Fund Forest Land Management Costs - Management Letter 629-2008-11-01

Dear Mr. Hibner:

This letter is in response to the Management Letter associated with the draft Review of Common School Fund Forest Land Management Costs, dated October 17, 2008. The following, plus enclosure, constitutes our response to and corrective action plan for the items identified in this management letter.

In summary, we generally concur with the findings of the letter, and agree with most of the recommendations. Please see the enclosed agency response and corrective action plan for our response and plan for each of the specific findings and recommendations.

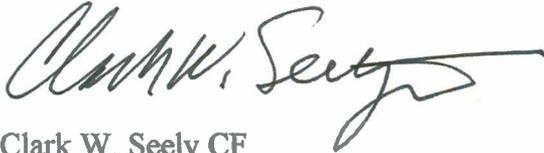
As we conclude this phase of the process with your staff, we will be preparing a detailed agency action plan with the responsible managers to implement and monitor our own response efforts. We will then be prepared to review our progress with your staff on all findings in future years as part of follow-up or the annual financial audit.

As we have shared with the Audits Division in recent years during other periodic or special audits, this audit process, and the subsequent results, have been very productive for the Department of Forestry, and I believe will serve us well in the years to come, particularly in our ongoing working relationship with the Department of State Lands. On behalf of the agency staff who worked directly with your audit team, I would like to thank you, Will Garber, and the audit team of Sandra Hilton, Nicole Miller, Tenzin Choephel, and Karen Peterson for the professional approach that they took for this assignment, and the genuine interest that they demonstrated in making this a very positive, collaborative process that will truly assist us in making improvements to our business management practices. We recognize that auditing is a valuable tool and your audit team's approach and attitude during this process has been helpful and supportive in creating possibilities for practical improvements for the Department.

Please contact me if you have any questions regarding our response. We look forward to our continued working relationship with the Audits Division.



Sincerely,



Clark W. Seely CF  
Associate State Forester

Enclosure – Agency Response

cc: Sandra Hilton, CPA, Audit Manager  
Nicole Miller, MPA, Senior Auditor  
Scott Harra, Director, Oregon Department of Administrative Services  
Louise Solliday, Director, Oregon Department of State Lands  
Tim Wood, Director, Oregon Parks and Recreation Department  
Roy Elicker, Director, Oregon Department of Fish and Wildlife  
Pamela J. Valencia, CPA, CIA, Chief Audit Executive, DAS  
Kathryn Ross, Statewide Accounting and Reporting Services, DAS  
Oregon Board of Forestry  
Agency Audit Committee  
Agency Leadership Team  
David Clouse, Chief Audit Executive, ODF  
Satish Upadhyay, Budget Analyst, Budget and Management Division, DAS

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**FINDING 1**

Inadequate Procurement Procedures

**RECOMMENDATION**

We **recommend** the department provide procurement training to area and district staff who have contracting responsibilities and implement central monitoring procedures to ensure all procurements comply with state procurement laws and adhere to best practices.

**AGENCY'S RESPONSE**

*The Department of Forestry (ODF or the Department) partially agrees with the findings and generally agrees with the recommendation. Relative to the recommendation, we have recognized the need for a more robust training program for our staff who have contracting responsibilities as well as a more robust central staff to assist in the contracting process. As part of our submission for the 2009-11 budget, we have requested additional staff that we believe would be necessary to bring us into compliance with this recommendation. Regardless of the outcome of the budget request, we are reevaluating our training package for contract training and will ensure that we have the proper training and the proper resources available for all staff that have contract and/or procurement responsibilities.*

*These resources include (but are not limited to):*

- *Detailed procurement information on our website that walks ODF staff through the different types of purchasing processes, pitfalls, best practices, and frequently asked questions;*
- *Developing agency specific templates for solicitations and contracts that remove some of the guess work from the procurement process;*
- *Developing a training program that can be provided to area and district staff on a variety of procurement related topics; and developing an internal auditing process to ensure that the training tools and classes that are being provided are creating more educated staff and are useful to the people who need to use them.*

**Timeline:**

The anticipated completion date is December 31, 2009.

**Contact Person:**

Shannon Rand, Procurement Manager for the Department of Forestry, 503-945-7383.

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**FINDING 2**

Inaccurate Communications Pool Rates

**RECOMMENDATION**

**We recommend** the department improve the communication pool operational assessment process to ensure rate accuracy.

**AGENCY'S RESPONSE**

*The Department of Forestry generally agrees with the finding and recommendation and has improved the business processes and procedures in the development and implementation of the communications operational fiscal budgets since the fiscal year 2006 budget development and assessment implementation. The overcharge to Parks and Fish and Wildlife (partners) was based on the use of a draft fiscal budget (older revision), which led to the inaccurate assessment figures. Examples of the improved process and procedures since 2006 include, but are not limited to the following:*

- *Increased coordination between the Communication Unit and the Radio Service Unit (RSU) Coordinators, with established fiscal budget timeframes and verification. The Communication Unit is responsible for the collection and records management of the documents (centralization vs. decentralization).*
- *Implementation and utilization of a single fiscal budget template between the RSUs. The Communication Unit takes the lead each fiscal on the development/enhancements of the fiscal documents and distributes to the RSUs for use.*
- *Fiscal budget assessments are now provided to partners after development (Feb-Mar), which provides the partners an opportunity to verify assessments after implementation.*
- *Fiscal budget assessments are again verified between the Communication Manager and administrative staff after implementation and first reporting period (Aug-Sep).*

*The Communication Unit is currently updating its administrative manual, which will include language to support the above examples and/or enhance language already written. In addition, the Communication Unit will credit the partners within the FY10 fiscal budget development process.*

**Timeline:**

The anticipated completion date for the updated administrative manual is March 1, 2009 and the overage credit will be implemented July 1, 2009 for fiscal year 2010.

**Contact Person:**

Eulus Newton, Equipment Pool Program Manager for the Department of Forestry, 503-945-7312.

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**FINDING 3**

Insufficient Transaction Support

**RECOMMENDATION**

We **recommend** the department develop policies and procedures to ensure it meets transaction documentation requirements, which should include retaining support for RTI allocations.

**AGENCY'S RESPONSE**

*The Department of Forestry generally agrees with the recommendation. As referenced in the full audit report response, the Department is in the process of developing a formal methodology and a system to allocate costs. This system will be used for the allocation of all costs that are shared by more than one cost center, program, project or grant. The policies and processes surrounding the allocation of these costs will be developed as a part of the design of this system. The methodology will lay out the basis for allocating specific types of costs and will be based on current best practices in the field. The Department has hired a limited duration Business Analyst who will help to continue the process of designing the methodology, policies, procedures and help in the actual design, training and implementation of the new system.*

**Timeline:**

The anticipated completion and implementation date of the new system is July 1, 2009.

**Contact Person:**

Lorene Judge, Fiscal Manager for the Department of Forestry, 503-945-7230.

**FINDING 4**

Allocation of Payroll Cost

**RECOMMENDATION**

We **recommend** the department develop and implement procedures to strengthen its payroll allocation processes. Specific procedures should include the following:

- requirements to use system's labor cost codes to generate allocation percentages when appropriate;
- updates to the system's labor cost code percentages and periodic reviews to ensure accuracy; and
- documentation of employee notification, reason for change, and supervisory approval for any modifications made to timesheet coding or hours.

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**AGENCY'S RESPONSE**

*The Department of Forestry partially agrees with the findings and recommendations. As part of the system design of the cost allocation system referenced in the previous finding and response, the agency will look at the allocation of costs in the Oregon State Payroll System (OSPS). The issue is whether OSPS (as an aging information system) is robust enough for the agency to use in the allocation of time since it is only able to hold four (4) allocations in the labor cost code subsystem. This severely limits the number of cost centers that can be used as a default in OSPS. We will be analyzing the options of using a stand-alone time capture system that would allow us to increase the number of labor cost codes used for an individual. This will be part of the cost allocation methodology and process discussion.*

*The Department of Forestry does not fully agree with the recommendation for documentation of changes to employee timesheets. If the change made to a timesheet alters the number of hours worked or the pay code used to calculate the amount of vacation, sick leave, etc. used, then the employee would be required to sign off on the change unless the employee is not available, in which the supervisor would be required to sign off on the change with a note as to why the employee was not available. If the change is to coding of the time worked, the change is not subject to the need of the employees approval for the change. The change is subject to the budget manager of that units approval. This approach is consistent with OSPS practices, and has been previously audited by the Audits Division and the Department of Administrative Services.*

**Timeline:**

The anticipated completion date is July 1, 2009.

**Contact Person:**

Betsy Kelly, Support Services Manager for the Department of Forestry, 503-945-7209.

**FINDING 5**

Questionable Service Award Program

**RECOMMENDATION**

**We recommend** the department work with the Department of Administrative Services to ensure its employee recognition program is in compliance with state rules.

**AGENCY'S RESPONSE**

*The Department of Forestry agrees with the recommendation to work with the Department of Administrative Services to ensure the ODF employee recognition program is in compliance with state laws and rules, and in fact, this has already occurred. Jeanne Davis, the Department's*

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*Human Resources Program Director, consulted with the Department of Administrative Services/Human Resources Services Division Administrator, Sue Wilson, in February 2008 regarding compliance with DAS policy. The ODF Employee Recognition Program Directive has been revised to comply with the DAS Employee Recognition Policy. Service awards are valued at \$50 or less with a resale value expected to be less than \$25.00. We are now in the final stages of making changes to the service awards options.*

**Timeline:**

The anticipated completion date is December 31, 2008.

**Contact Person:**

Jeanne Davis, Human Resources Program Director for the Department of Forestry, 503-945-7296.

**FINDING 6**

Unsecured Records at Area Office

**RECOMMENDATION**

**We recommend** the department develop policies and procedures to ensure all department records are appropriately safeguarded.

**AGENCY'S RESPONSE**

*The Department of Forestry generally agrees with the recommendation. We have drafted an agency-specific security policy, "Transporting and Storing of Sensitive Information", using the current DAS policy "107-004-100 Transporting Information Assets" as the basis. Our draft policy covers the transportation and handling of information and information assets outside of a secure office setting. This directive will be implemented in January 2009 and every manager will be trained on its content and required to comply with it.*

**Timeline:**

The anticipated completion date is January 2009.

**Contact Person:**

Sandy Jefferson, Chief Information Officer for the Department of Forestry, 503-945-7337.