

Office of the Secretary of State

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February 20, 2008

Roy Elicker, Director
Oregon Department of Fish and Wildlife
3406 Cherry Avenue NE
Salem, Oregon 97303

Dear Mr. Elicker:

We have completed the statewide single audit that included selected financial accounts at the Oregon Department of Fish and Wildlife (department) for the year ended June 30, 2007.

This audit work was not a comprehensive audit of the department. Instead, the audit work performed allowed us, in part, to achieve the following objectives: (1) express an opinion on whether the financial statements contained in the State of Oregon's Comprehensive Annual Financial Report were fairly presented, in all material respects, in conformity with generally accepted accounting principles; (2) determine whether the state's internal controls provided reasonable assurance of proper accounting, financial reporting, and legal compliance of transactions; and (3) determine whether the state has complied with applicable legal requirements that may have a direct and material effect on the state's financial statements.

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

We audited the following accounts and transactions at the department 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 Environmental Management Fund (GAAP Fund 1107)</u>		
0065	Unreconciled Deposit	\$ 1,147,418
0070	Cash on Deposit with Treasurer	36,714,687
0224	Hunter and Angler Licenses	40,078,403
0300	Federal Revenue	50,836,107

3111	Regular Employees	\$37,374,929
3210	Public Employees Retirement Contribution	5,071,454
3221	Social Security Taxes	3,047,497
4xxx	Various Services and Supplies	34,399,362

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control. As discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Lack of Reconciliation for Hunter and Angler Licenses

The 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 performed to compare amounts received to amounts in the cash register system. However, a reconciliation is not completed between the two systems to ensure that the licenses generated in the POS system match the cash register receipts for fax/mail order license sales. The absence of this control increases the risk of misappropriation of licenses, tags, and/or cash receipts.

We recommend department management strengthen its controls over license sales by reconciling cash register sales to the POS licensing system to ensure that revenues have been received for all sales.

Inadequate Procedures for Estimating Federal Revenue and Accounts Receivable

The department reports all of its federal receivables as current with a corresponding recognition of federal revenue. Generally accepted accounting principles (GAAP) require, however, that revenues be reported in the period they become both measurable and available to finance current period expenditures. For the state, governmental fund revenues are considered available if payment is expected within 90 days of fiscal year-end. We estimated that \$1.7 million of the reported \$14.9 million federal receivables should have been reported as non-current receivables.

The department does not have written policies and procedures for the investigation of outstanding receivables. This deficiency can result in the overstatement of current receivables and federal revenues.

We recommend department management develop and implement policies and procedures for its federal receivables to ensure the proper reporting of current and non-current receivables and revenues in accordance with GAAP.

Lack of a Risk Assessment

An organization's risk assessment for financial reporting purposes is its identification, analysis and management of risks relevant to the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles. State policy indicates risks should be identified and that management should consider their significance, the likelihood of occurrence and how to manage them. The department did not complete an agency risk assessment during fiscal year 2007. Consequently, there is an increased risk that department management may be unaware of risks that, if not addressed, could cause inaccuracies in the department's financial reporting.

We recommend department management perform an annual risk assessment to help ensure risks related to financial reporting are identified and evaluated.

In addition to the significant deficiencies identified above, we identified an other matter that warrants management's attention.

Weakness in Physical Controls Over Confidential Information

State policy requires that management develop physical controls to ensure access to assets and records is authorized. During our audit, we noted the key used to lock cabinets that contain confidential information and employee paychecks was not adequately controlled to prevent unauthorized access.

We recommend department management ensure only authorized personnel can access confidential information and paychecks and that the key used to lock cabinets that contain this information is appropriately controlled.

The significant deficiencies, along with your responses, will be included in our Statewide Single Audit Report For the Fiscal Year Ended June 30, 2007. Including your responses satisfies the

federal requirement that management prepare a Corrective Action Plan covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to each significant deficiency 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.

Please respond by February 27, 2008. The other matter does not require a written response. We will follow up on the department's progress in addressing these issues during the next fiscal year audit.

This communication is intended solely for the information and use of management, others within the organization, and the Oregon Department of Fish and Wildlife Commission and is not intended to be and should not be used by anyone other than the specified parties.

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

Sincerely,
OREGON AUDITS DIVISION

Julianne Kennedy, CPA
Audit Manager

JK:brk

cc: Laurie Byerly, Deputy Director, Administration
Tom Ruddiman, Division Administrator, Administrative Services Division
Shirlene Gonzalez, Fiscal Services Manager
Marla Rae, Chair, Oregon Department of Fish and Wildlife Commission
Kris Kautz, Interim Director, Department of Administrative Services