Office of the Secretary of State

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February 12, 2009

Tim Wood, Director
Oregon Parks and Recreation Department
725 Summer St. NE, Suite C
Salem, Oregon 97301

Dear Mr. Wood:

We have completed audit work of selected financial accounts at the Oregon Parks and Recreation Department (department) for the year ended June 30, 2008.

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.

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.

SFMA Account	Description	Audit Amount Debit (Credit)
GAAP Fund 1107 – Environmental Management Fund: Special Revenue Fund		
0065	Unreconciled Deposit	$ 1,716,774
0070	Cash on Deposit with Treasurer	34,073,265
1378	Transfers In From Department of Transportation	25,067,828
3111	Regular Employees	22,750,588
3221	Social Security Taxes	1,928,593
3263	Medical, Dental, Life Insurance	6,396,202
4xxx	Various Services and Supplies	28,071,179

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2008, 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.

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. 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 deficiency to be a significant deficiency in internal control:

Segregation of Duties and Logical Access to Accounting Systems

During our audit, we noted a weakness in the segregation of duties related to cash. One employee reconciled the cash accounts, had access to the safe and had entry capability to the department's automated financial accounting system (FMS), which interfaces with the state's centralized accounting system (SFMA). Additionally, the employee was appointed as the administrator for the FMS. As administrator for this system, the employee had the ability to assign his own system access level. Duties for authorization, recordkeeping, and custody of the related assets should be segregated to reduce the opportunities for any individual to be in the position to both perpetrate and conceal errors or fraud in the normal course of duties. Additionally, appropriate logical access controls for financial accounting systems support and enforce segregation of duties by limiting the ability of any one individual to view, alter and control resources.

We recommend department management ensure responsibilities for cash are segregated. Specifically, management should ensure adequate separation of authorization for the execution of transactions, recording of transactions, custody of assets, and periodic reconciliation of existing assets to recorded amounts. In addition, management should ensure that individuals performing financial system security functions do not have conflicting accounting duties or responsibilities for monitoring and validating logical access, to ensure those functions are independently performed.

The significant deficiency, along with your response, will be included in our Statewide Single Audit Report For the Fiscal Year Ended June 30, 2008. Including your response 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 be accomplished only if the response to the significant deficiency includes the information specified by the federal requirement, and only if the response is received in time to be included in the audit report. The following information is required for the response:

(1) Your agreement or disagreement with the finding. If you do not agree with the 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. The anticipated completion date.

(3) The name(s) of the contact person(s) responsible for corrective action.

Please respond by February 25, 2009.

This communication is intended solely for the information and use of management, others within the department, and the Oregon Parks and Recreation 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 Diane Farris or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Julianne Kennedy, CPA
Audit Manager

JK:brk
cc: Lisa VanLaanen, Assistant Director of Administration
Rebecca Jasso, Accounting Manager
Jim Parr, Chair, Oregon Parks and Recreation Commission
Scott Harra, Director, Department of Administrative Services