

Office of the Secretary of State

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February 22, 2010

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

Dear Mr. Elicker:

We have completed audit work of selected financial accounts at the Oregon Department of Fish and Wildlife (department) for the year ended June 30, 2009.

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, 2009, 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 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)
<u>GAAP Fund 1107 – Special Revenue Fund: Environmental Management Fund</u>		
0065	Unreconciled Deposit	183,433
0070	Cash on Deposit with Treasurer	31,834,733
0224	Hunter and Angler Licenses	(39,656,136)
0300	Federal Revenue	(50,439,741)
3111	Regular Employees	41,747,008
3210	Public Employee Retirement Contribution	5,294,276
3212	Pension Bond Assessment	2,420,788
3221	Social Security Taxes	3,334,360
3263	Medical, Dental, Life Insurance	11,787,989
4xxx	Various Services and Supplies	41,107,811

Our consideration of internal control was for the limited purpose described above and would not necessarily identify all deficiencies in internal control. As discussed below, we identified 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 deficiency to be a significant deficiency in internal control:

Inaccurate Recording of Expenditures

The department and Oregon State Police (OSP) have a contractual agreement where OSP provides law enforcement services over fish and wildlife regulations and the department reimburses OSP for these services on a monthly basis. We reviewed the 16 transactions processed for fiscal year 2009 and found that one should have been posted to fiscal year 2008 and another constituted a pre-payment for fiscal year 2010; consequently, expenditures were overstated by \$879,975 for fiscal year 2009. In addition, we found that the payments were misclassified as transfers in the accounting system when they should have been recorded as expenditures.

We recommend department management ensure expenditures are properly recognized, recorded, and classified in the accounting system.

Prior Year Findings

In the prior fiscal year, we reported a significant deficiency to you related to the department's Lack of Reconciliation of the Point of Sale System (POS). This finding was first reported in the Federal Compliance and Internal Control Report for the Fiscal Year Ended June 30, 2002 (report number 2003-6, finding 02-3). More recent findings can be found in the Statewide Single Audit Reports for the Fiscal Years Ended June 30, 2008, and 2007 (report numbers 2009-07 and 2008-03, finding numbers 08-12 and 07-17, respectively). We followed up on the status of finding 08-12 during the current audit. The department has taken partial corrective action by working toward identifying reconciliation issues. This finding will be reported in the Statewide Single Audit Report for the Fiscal Year Ended June 30, 2009, with a status of partial corrective action taken.

The significant deficiency, along with your response, will be included in our Statewide Single Audit Report for the Fiscal Year Ended June 30, 2009. 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 only be accomplished 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 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 March 5, 2010.

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

Roy Elicker, Director
Oregon Department of Fish and Wildlife
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We appreciate your staff's assistance and cooperation during this audit. 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:sms

cc: Debbie Colbert, Acting Deputy Director for Administration
Shirlene Gonzalez, Administrative Services Division Administrator
Cathy Stevens, Fiscal Services Manager
Marla Rae, Chair, Oregon Fish and Wildlife Commission
Scott Harra, Director, Department of Administrative Services