

Office of the Secretary of State

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Audits Division

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January 25, 2011

Tim Wood, Director
Oregon Parks and Recreation Department
725 Summer Street 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, 2010.

This audit work was not a comprehensive audit of the department. We performed this audit work as part of our annual statewide financial audit. The objective of the statewide audit was to 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.

In planning and performing our audit of the selected financial accounts at the department as of and for the year ended June 30, 2010, 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 and determined 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>GAAP Fund 1107 – Environmental Management Fund</u>		
0065	Unreconciled Deposit	\$ 1,884,762
0070	Cash on Deposit with Treasurer	44,126,170
0220	Park User Fees	16,731,372
3111	Regular Employees	23,582,518
3210	Public Employees Retirement Contribution	1,796,514

3212	Pension Bond Assessment	1,291,683
3221	Social Security Taxes	1,909,641
3263	Medical, Dental, Life Insurance	7,344,562
4xxx	Services and Supplies	24,145,859
6xxx	Special Payments	9,462,361

GAAP Fund 8500 – Government-Wide Reporting Fund

0852	Buildings and Building Improvements	\$ 71,966,993
0875	Accum Depr-Buildings & Bldg Improvement	35,737,778

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above; however, we did identify the following other matter that is an opportunity to strengthen internal controls but is not considered to be a significant deficiency or a material weakness. This other matter does not require a written response from management.

Other Matter

Perform more thorough review of transactions

Internal controls must be adequate to provide reasonable, but not absolute, assurance that transactions are accurate, properly recorded and executed in accordance with management's authorizations.

Management has established and implemented controls within the department to ensure that transactions are accurate and properly recorded in the state's financial system. However, during our audit we found instances where the established controls did not function as intended. Specifically, we noted the following errors during our review of selected financial accounts.

- Park User Fees
While preparing monthly deferred revenue transactions, staff inadvertently recorded the cumulative amount rather than the portion applicable to the specific month.
- Special Payments
One transaction, accrued as a current year expenditure, had been paid during the prior fiscal year.

- Buildings and Building Improvements
The department capitalized costs that should have been expensed.

We recommend management consider performing a more thorough review of transactions to ensure amounts are accurately recorded in the financial accounting system.

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.

We would like to express our appreciation to Rebecca Jasso and her staff for their assistance during this audit. Should you have any questions, please contact Alan Bell or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Julianne Kennedy, CPA
Audit Manager

JK:AJB:nmj

cc: Lisa VanLaanen, Assistant Director of Administration
Rebecca Jasso, Accounting and Payroll Manager
Bevin Clapper, Quality Assurance Coordinator
Davis Moriuchi, Oregon Parks and Recreation Commission, Chair
Kris Kautz, Acting Director, Department of Administrative Services