Office of the Secretary of State

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January 18, 2011

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, 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.

SFMA Account	Description	Audit Amount
GAAP Fund 1107 – Environmental Management Fund		
0065	Unreconciled Deposit	$ 6,368,413
0070	Cash on Deposit with Treasurer	26,633,051
0224	Hunter and Angler Licenses	43,380,278
0300	Federal Revenue	51,727,118
3111	Regular Employees	43,881,086

3210	Public Employees Retirement Contribution	3,119,546
3212	Pension Bond Assessment	2,242,883
3221	Social Security Taxes	3,088,365
3263	Medical, Dental, Life Insurance	11,575,879
4xxx	Services and Supplies	36,247,625
6xxx	Special Payments	10,859,687

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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.

Other Matter

We identified 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.

Federal reimbursement rates should be timely updated

The federal government reimburses the department for indirect costs associated with its federal programs. New reimbursement rates are effective on July 1 of each fiscal year. The department invoices federal agencies on a reimbursement basis, which results in a lag between the date of the expenditure and submission to the federal government for reimbursement. The department's practice is to implement the new reimbursement rate on August 1st of each fiscal year. This practice provides the department some assurance that the new rate is applied appropriately to current fiscal year expenditures. However, for fiscal year 2010, the department did not implement the new rate until September 2009. The department continued to use the old rate, which was higher, and overbilled federal agencies for indirect costs associated with some expenditures occurring in July and August 2009.

We recommend management notify the federal agencies that were overbilled to determine the amount and method for appropriately refunding the excess indirect cost reimbursements. In addition, management should reevaluate controls to ensure timely compliance with changes in federal indirect cost rates.

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.

We would like to express our appreciation to Cathy Stevens 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: Debbie Colbert, Deputy Director for Administration
Shirlene Gonzalez, Administrative Services Division Administrator
Cathy Stevens, Fiscal Services Manager
Marla Rae, Chair of the Oregon Fish and Wildlife Commission
Kris Kautz, Acting Director, Department of Administrative Services