

Office of the Secretary of State

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Audits Division

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January 30, 2012

Doug Decker, State Forester  
Oregon Department of Forestry  
2600 State Street  
Salem, Oregon 97301

Dear Mr. Decker:

We have completed audit work of selected financial accounts at the Oregon Department of Forestry (department) for the year ended June 30, 2011.

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, 2011, 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	\$ 1,870,118
0070	Cash on Deposit with Treasurer	21,004,790
0703	State Forest Lands- Sales	63,955,029
1405	Transfers to Counties	37,916,516

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
14xx,18xx	Transfers Out	10,107,477
3111	Regular Employees	22,485,724
3210	Public Employees Retirement Contribution	2,929,115
3212	Pension Bond Assessment	1,559,003
3221	Social Security Taxes	2,233,981
3263	Medical, Dental, Life Insurance	8,411,241
4xxx	Services and Supplies	28,590,452

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. As discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

### **Prior Year Findings**

In prior fiscal years we reported a significant deficiency related to the department's access controls for its Purchase Order (PO) System in letters dated February 24, 2010, and January 11, 2011. This finding can also be found in the Statewide Single Audit Reports for the fiscal years ended June 30, 2009, and June 30, 2010; see Secretary of State audit report numbers 2010-19, and 2011-06, finding number 09-10. During fiscal year 2011, the department continued its efforts to strengthen its policy for timely termination of system access when an employee leaves or changes jobs. Based on our review, we found these efforts were not sufficient as we identified several instances where system access was not timely terminated; in some cases, system access was not terminated until several months after the employees had left the department. Subsequent to our review, the department established a requirement that system access be reviewed quarterly by the Fiscal Services Manager. The first quarterly review was completed in August 2011. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2011, with a status of partial corrective action.

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

We appreciate your staff's assistance and cooperation 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: Satish Upadhyay, Administrative Services Division Chief  
Mark Hubbard, Fiscal Services Manager  
John Blackwell, Board of Forestry, Chair  
Michael J. Jordan, Director, Department of Administrative Services