

Office of the Secretary of State

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February 1, 2012

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, 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	\$ 3,496,774
0070	Cash on Deposit with Treasurer	26,731,677
0224	Hunter and Angler Licenses	44,840,705
0300	Federal Revenue	55,402,519

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
6136	Distribution to State Police	\$ 10,026,069
3111	Regular Employees	43,070,755
3210	Public Employees Retirement Contribution	4,034,696
3212	Pension Bond Assessment	2,738,034
3221	Social Security Taxes	3,847,067
3263	Medical, Dental, Life Insurance	15,671,537
4xxx	Services and Supplies	45,611,901

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 deficiencies in internal control that we consider to be significant deficiencies.

### **Significant Deficiencies**

#### **A lack of controls resulted in overcharging of certain fees**

Licenses, tags and permits are sold to the public through the department's Point of Sale (POS) system. These fees, which are established by statute, were revised and the new fees became effective January 1, 2010, requiring the POS system to be updated for compliance with the new fee structure. During our audit, we reviewed the POS system to ensure that the assessed fees were compliant with statute. We found the POS system was overcharging for the Resident Juvenile Sportsperson license. Similarly, during the prior year audit we found the POS system had been overcharging for the Nonresident Juvenile Hunting and Angling licenses. Due to a lack of review, these errors were not caught by management or staff.

**We recommend** management review the fee rates within the POS system to ensure all fees are compliant with statute. We further recommend that management establish an ongoing monitoring process to ensure continued compliance.

Methodology for accruing long-term federal revenue receivables could be strengthened

The state's accounting policy directs that revenue, within governmental funds, be recognized using the modified accrual basis of accounting. Under this basis of accounting, revenue must be both measurable and available to finance current period expenditures. For the state, revenue is considered "available" if it is collected within 90 days of the fiscal year end.

Near the end of fiscal year 2011 management implemented the Procurement Information Exchange (PIE) system. The system is designed to streamline the contract award monitoring process and to ensure that certain procedures are completed prior to submitting invoices to the respective federal awarding agency. While becoming familiar with this new system, the department erroneously based financial accruals on some contracts that were not yet implemented causing a more than \$5 million over-estimate in how much federal reimbursement would be invoiced and received during the 90 days following fiscal year end.

**We recommend** management strengthen its methodology for accruing long-term federal revenue receivables. Specifically, we recommend management review the process for setting up and tracking awards in its PIE system, and modify its methodology to reflect delays inherent within the process.

The significant deficiencies, along with your responses, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2011. Including your responses 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 responses to the significant deficiencies include the information specified by the federal requirement, and only if the responses are received in time to be included in the audit report. The following information is required for each 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.
- 3) The anticipated completion date.
- 4) The name(s) of the contact person(s) responsible for corrective action.

Please respond by February 15, 2012.

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 would like to express our appreciation to Cathy Stevens, Shirlene Gonzalez, and all the department staff for their 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: Debbie Colbert, Deputy Director for Administration  
Shirlene Gonzalez, Administrator, Administrative Services Division  
Cathy Stevens, Fiscal Services Manager  
Dan Edge, Chair of the Oregon Fish and Wildlife Commission  
Michael J. Jordan, Director, Department of Administrative Services