

**Office of the Secretary of State**

Kate Brown  
Secretary of State

Brian Shipley  
Deputy Secretary of State



**Audits Division**

Gary Blackmer  
Director

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January 9, 2013

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, 2012.

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, 2012, 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>		
0542	Accounts Receivable- Federal Unbilled	\$ 9,742,100
0543	Accounts Receivable- Federal Billed	5,948,041
0300	Federal Revenue	17,403,010
0703	State Forest Lands - Sales	64,205,277

<u>SFMA Account</u>	<u>Description</u>	<u>Audit Amount</u>
1405	Transfers to Counties	\$ 37,377,039
14xx, 18xx	Transfers Out	11,949,992
3111	Regular Employees	22,020,809
3210	Public Employees Retirement Contribution	4,330,906
3212	Pension Bond Assessment	1,531,320
3221	Social Security Taxes	2,147,956
3263	Medical, Dental, Life Insurance	8,105,821
4xxx	Services and Supplies	36,786,427

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.

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 would like to express our appreciation to Mark Hubbard and department staff for their assistance and cooperation during the 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: Tom Imeson, Board of Forestry, Chair  
Satish Upadhyay, Administrative Services Division Chief  
Mark Hubbard, Finance Director  
Michael J. Jordan, Director, Department of Administrative Services