

**Office of the Secretary of State**

Bill Bradbury  
Secretary of State

Jean Straight  
Deputy Secretary of State



**Audits Division**

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June 29, 2007

Marvin Brown, State Forester  
Department of Forestry  
2600 State Street  
Salem, Oregon 97310

Dear Mr. Brown:

We have completed our audit of the Oregon Department of Forestry's (department) Equipment Pool, which is part of the State of Oregon's statewide central service cost allocation plan for the year ended June 30, 2007.

This statewide single audit work is not a comprehensive audit of the department's federal awards. Instead, this single audit permits us to report on the state's internal control and the state's compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major federal program.

The objective of the audit was to determine whether the department complied with federal requirements relevant to central services included in the statewide central service cost allocation plan in accordance with the Office of Management and Budget (OMB) Circular A-133 and OMB Circular A-87. We reviewed a selection of revenues and expenses, reported as part of the department's Equipment Pool, to ensure they were allowable in accordance with OMB Circular A-87 and related to the department's equipment pool.

Based on our audit, we did not identify any significant deficiencies but we did identify the following issues for your review and consideration.

Improve Documentation

We found that the department has not documented the basis for its various cost allocation structures. Although the department has a desk manual, that provides some guidance on how to set-up cost allocation pools, the manual is not complete and does not explain the complete structure, or all types of costs to be allocated by the cost pools.

In addition, the department charges a 12 percent administrative fee to external entities on both vehicle and communication maintenance charges. The department was not able to provide any analysis of this rate to show it was reasonable and how it was computed. Neither the cost allocation nor the administrative charge transactions represented potentially significant amounts.

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**We recommend** the department improve and maintain documentation supporting its internal cost allocation process and its computation of the administrative fee rate.

Should you have any questions, please contact Mark Winter or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Kelly L. Olson, CPA  
Audit Manager

KLO:brk

cc: Marti-Lea Graham, Business Services Program Director  
Lindsay Ball, Director, Department of Administrative Services