

**Office of the Secretary of State**

Jeanne P. Atkins  
Secretary of State

Robert Taylor  
Deputy Secretary of State



**Audits Division**

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Interim Director

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Salem, OR 97310

(503) 986-2255

March 11, 2016

Doug Decker, State Forester  
Oregon Department of Forestry  
2600 State Street  
Salem, Oregon 97310

Dear Mr. Decker:

We have completed audit work of a selected federal program at the Department of Forestry (department) for the year ended June 30, 2015.

<u>CFDA Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
97.046	Fire Management Assistance Grant	\$ 16,031,240

This audit work was not a comprehensive audit of your federal program. We performed this federal compliance audit as part of our annual Statewide Single Audit. The Single Audit is a very specific and discrete set of tests to determine compliance with federal funding requirements, and does not conclude on general efficiency, effectiveness, or state-specific compliance issues. The Office of Management and Budget (OMB) Circular A-133 identifies internal control and compliance requirements for federal programs. Auditors review and test internal controls for all federal programs selected for audit and perform specific audit procedures only for those compliance requirements that are direct and material to the federal program under audit. For the year ended June 30, 2015, we determined whether the department substantially complied with the following compliance requirements relevant to the federal program.

<b>Compliance Requirement</b>	<b>General Summary of Audit Procedures Performed</b>
Activities Allowed or Unallowed	Determined whether federal monies were expended only for allowable activities.
Allowable Costs/Cost Principles	Determined whether charges to federal awards were for allowable costs and that indirect costs were appropriately allocated.
Procurement and Suspension and Debarment	Ensured payments were in accordance with contract requirements and that the vendor was not suspended or debarred from receiving federal funds.
Reporting	Verified the department submitted financial reports to the federal government in accordance with the

<b>Compliance Requirement</b>	<b>General Summary of Audit Procedures Performed</b>
	grant agreement and that those financial reports were supported by the accounting records.
Subrecipient Monitoring	Determined whether the pass-through entity monitored subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements.

### **Internal Control Over Compliance**

Department management is responsible for establishing and maintaining effective internal control over compliance with program requirements. In planning and performing our audit, we considered the department's internal control over compliance with requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the department's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over compliance. *A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the paragraph above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

Doug Decker, State Forester  
Oregon Department of Forestry  
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We appreciate the assistance and cooperation of Toni Chambers, Tim Holschbach, Julie Fetsch, and Antonia Allen, as well as other staff, during this audit. Should you have any questions, please contact Kari Mott, Lead Auditor or Julianne Kennedy, Audit Manager at (503) 986-2255.

Sincerely,

*Office of the Secretary of State, Audits Division*

cc: Nancy Hirsch, Deputy State Forester  
Satish Upadhyay, Division Chief Administrative Services  
Mark Hubbard, Finance Director  
Doug Grafe, Division Chief Fire Protection  
Toni Chambers, Fire Division Business Manager  
Antonia Allen, Director of Quality Assurance  
George Naughton, Acting Director, Department of Administrative Services