

Office of the Secretary of State

Kate Brown
Secretary of State



Audits Division

Gary Blackmer
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255
fax (503) 378-6767

February 18, 2014

Lisa VanLaanen, Interim Director
Oregon Department of Parks and Recreation
725 Summer Street NE, Suite C
Salem, Oregon 97301

Dear Ms. VanLaanen:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2013. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances 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.

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 a combination of deficiencies, in internal control, 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 material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other Issue

During the course of our audit, we became aware of the matter below that is considered an opportunity for strengthening internal controls. This matter does not require a written response from management.

Evidence of Internal Controls Could Be Strengthened

The state's accounting policy requires that each department have adequate internal controls to provide reasonable assurance that transactions are accurate and recorded properly in the state's accounting system. The policy also directs management to document periodic reviews, tests, and analysis of internal control to assure proper operation.

The department uses the Outdoor Recreation Management Suite (ORMS) system to facilitate the reservation of its camping sites at numerous parks throughout the state. ORMS allows reservations to be made up to nine months in advance; full payment being required at the time the reservation is made. The department appropriately defers this revenue until the period in which the camping stay occurs.

A portion of deferred revenue is recognized each month using a customized report generated automatically by ORMS. At the time the report was developed, tests were completed to verify the reliability and integrity of the data. However, over time, system changes (i.e. additional parks) have been made and subsequent testing has not been performed. A number of other controls, cited by management, provide limited assurance that ORMS data is correct. Those controls include daily inventory of occupied campsites, management understanding of ORMS reports, and the knowledge, skills, and ability of department IT staff in relation to ORMS. These controls are not documented in a way that facilitates subsequent review, testing, or analysis for effectiveness; thus, raising the risk that ORMS data, which is relied on for financial reporting, could be inaccurate or unreliable.

We recommend management ensure adequate documentation is retained to enable subsequent review and testing of control effectiveness. For example, the daily inventory of occupied campsites could be retained and used to verify that ORMS accurately reflects the number of nights campsites are occupied and the amount of revenue to recognize.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

Lisa VanLaanen, Interim Director
Oregon Department of Parks and Recreation
Page 3

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: Rebecca Jasso, Financial Services Manager
Bevin Clapper, Quality Assurance Coordinator
Jay Graves, Chair, Oregon Parks and Recreation Commission
Michael J. Jordan, Director, Department of Administrative Services