

Office of the Secretary of State

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Secretary of State

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Deputy Secretary of State



Audits Division

Mary Wenger
Interim Director

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

(503) 986-2255

January 19, 2016

Lisa Sumption, Director
Oregon Parks and Recreation Department
725 Summer Street NE, Suite C
Salem, OR 97301

Dear Ms. Sumption:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2015. 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, 2015, 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. 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

Significant Deficiency

Transaction Entry and Review Procedures Need Improvement

The state's accounting policy provides specific instruction for the processing of cash transactions, transfers, vouchers, and other financial statement adjustments. The state's accounting policy also requires agency management to develop control activities to ensure that transactions entered in the state's accounting system are valid, properly authorized, complete, and accurately recorded.

During our review of cash and transfers we discovered transactions were entered using incorrect coding and effective dates. The department's practice is for upper-level accounting staff or management to review each transaction before it is recorded in the state's accounting system. Although these reviews were performed, the following errors were not detected:

- Transfers in and transfers out were both overstated by \$1,001,575;
- A transfer to another agency was incorrectly dated resulting in an understatement of both cash and transfers out of \$312,809; and
- Over 130 transactions recorded to correct project coding inappropriately adjusted the year-end balance of cash in the Environmental Management Fund and in another fund by \$347,957.

We recommend management revisit state accounting policies related to recording transactions and ensure the transaction review process includes examination of proper coding and effective dates.

The above significant deficiency, along with your response for the finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2015. Please prepare a response for the finding and include the following information as part of your corrective action plan:

- 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 January 27, 2016.

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.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Michelle Searfus or Julianne Kennedy at (503) 986-2255.

Lisa Sumption, Director
Oregon Parks and Recreation Department
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Sincerely,

Office of the Secretary of State, Audits Division

cc: MG Devereux, Deputy Director
Larry Warren, Internal Services Administrator
Rebecca Jasso, Financial Services Manager
Bevin Clapper, Internal Auditor – Quality Assurance Coordinator