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Auditing for a Better Oregon

January 12, 2007

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

Dear Mr. Brown:

The statewide single audit that included selected financial accounts at Oregon Department of Forestry (department) for the year ended June 30, 2006, has been completed.

This statewide single audit work is not a comprehensive audit of your agency. Instead, this audit permits us to give an opinion on the statewide financial statements contained in the State of Oregon's Comprehensive Annual Financial Report and to report on internal control and the state's compliance with laws and regulations. Regular audits of the department will continue on a periodic basis.

The following department accounts and transactions were audited to determine their fair presentation in accordance with generally accepted accounting principles in relation to the statewide financial statements.

SFMA Account	Description	Audit Amount
Special Revenue Fund – Environmental Management (GAAP Fund 1107):		
0065	Unreconciled Deposit	$ 5,943,211
0070	Cash on Deposit with Treasurer	32,796,790
0703	State Forest Lands	92,932,390
1405	Transfer to Counties	57,999,827
3111	Regular Employees	19,912,747
3221	Social Security Taxes	2,213,674
4xxx	Various Services and Supplies	44,833,708
1401	Transfer Out to Other Funds	2,770,262
1810	Transfer Out to Department of State Lands	9,656,593

Based on our audit, we did not identify any reportable conditions related to the accounts audited. However, we did identify conditions of lesser significance that we wanted to communicate to

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agency management. These conditions do not require a Corrective Action Plan. We will follow up on the department's progress in addressing these issues during the next fiscal year audit.

Employee Access to Computer System not Revoked Timely upon Employee Separation
During our audit, we noted four employees whose SFMA computer system access was not revoked for five to 22 days past their separation dates from the department. Upon further review, we found the department has not established a consistent process to ensure employee system access is terminated timely and department assets (e.g., equipment and keys) are returned, when an employee separates from the department. State accounting guidelines reinforce that authorized security access should support an agency's internal controls. Additionally, property records should be used to ensure that all property is returned to the state upon an employee's separation from an agency.

We recommend the department develop and implement policies and procedures to ensure that state property is returned and user access to information systems is revoked timely when employees separate from the department.

Inappropriate Employee Travel Expenditures
During our audit, concerns were communicated to us regarding reimbursement of personal vehicle mileage for a management employee. We reviewed a sample of travel reimbursements for the management employee for fiscal years 2003 through 2006 and noted the department inappropriately reimbursed the employee for travel expenditures.

During our analysis of travel reimbursements, we noted the following:

- Reimbursements to the employee for meals, hotel and rental car for two days the employee was not on official travel status. Although the employee indicated they attended two pre-conference sessions, no evidence was provided showing payment for these sessions. Additionally, the employee was unable to provide evidence of attending the pre-conferences, and the sponsoring organization indicated the employee did not attend the pre-conferences. Total questioned costs for these two days were approximately $732.

- Overstated mileage reimbursement of 74 miles resulting in an overpayment to the employee of approximately $27.

- Eight trips wherein the employee used a personal vehicle on trips that exceeded 100 miles for which there was no documentation justifying the use of a personal vehicle.

State and departmental policies require expenditures be an appropriate use of state resources and that a state owned vehicle be used for state business unless travel in a private vehicle is more practical because of cost, efficiency or work requirements. These situations occurred, in part, because department management did not approve the conference travel prior to conference registrations being made, did not ensure proper supporting documentation was provided for the reimbursements, and did not verify that use of a privately owned vehicle was in the department's

best interest. To address these concerns, the department has obtained reimbursement from the employee for the questioned costs of $759.

We recommend department management strengthen internal controls to ensure all reimbursed employee travel expenditures serve a business purpose and are adequately documented and ensure personal vehicle use is adequately documented in accordance with state and departmental policies.

Inappropriate TRAS User Access

During our fiscal year 2005 statewide audit, we noted that the department's management had not established adequate user access controls over the Timber Revenue Accounting System (TRAS). During our current year audit, we noted two employees continued to have TRAS update access that, according to the department, do not require this level of access to perform assigned job duties. The system, however, does not have the ability to restrict access to the appropriate level. TRAS access should be based on employee job duties; granting employees unnecessary system access increases the risk that unauthorized modifications will not be detected. Since fiscal year end, department management has terminated TRAS update access for these two employees.

We recommend that department management continue to review TRAS user access and maintain controls to ensure access is limited to levels necessary to perform assigned job duties.

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

Sincerely,
OREGON AUDITS DIVISION

Mary E. Wenger, CPA
Deputy Director

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