Oregon Department of Forestry

Status Report of Audit Recommendation Corrective Actions FY 2002-2007

Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility /Lead	Timeframe	Status
02-4 Bullet 1	Fully develop, document and implement policies and procedures over financial reporting.		**Controls over Financial Reporting**	Developing desk manuals for all non-management positions. Reviewing all current directives and administrative manuals. When review is complete a work plan will be put in place, and changes made accordingly.	Business Services Program Director	December 2005	Desk Manuals are complete. All directives have been reviewed and rewritten. All administrative manuals have been reviewed and are being updated. **Corrective Action Taken**
02-4 Bullet 2 03-10 Bullet 4	Develop a risk assessment process to identify, analyze and manage risks. Establish and implement risk assessment process to identify, analyze, and manage risks.		**Controls over Financial Reporting**	Working on implementing new policies and processes in the areas of payroll, contracting, budgeting and purchasing. Program staff will work to formally document those risks and implement systems and processes to reduce or eliminate those risks. Hire Internal Auditor	Business Services Program Director Clark Seely, Associate State Forester	December 2003 Spring 2004 Ongoing	Internal Control directives written and implemented. Payroll and contracting directives updated. Internal Auditor hired; formal agency-wide risk assessment began by Quality Assurance Program; ERM process to be implemented agency-wide **Corrective Action Taken**
02-4 Bullet 3	Consider filling the Internal Auditor position or develop compensating control		**Controls over Financial Reporting**	Internal audit position held vacant due to General Fund revenue shortfalls. Position has	Clark Seely, Associate State Forester	July 2003 Spring 2004	Director of Quality Assurance/ Chief Audit Executive Hired 6/28/04 **Corrective Action**

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03-10 Bullet 9				been retained in budget. Intent of the agency to fill position on July 1, 2003. Hire Internal Auditor			**Taken**
02-4 Bullet 4	Follow established policy regarding contracting.		**Controls over Financial Reporting**	Reviewing existing contracting policy and processes. Clarifying roles and responsibilities and implementing new directives and internal manuals specifically addressing contracting processes.	Business Services Program Director	July 2003	Contracting directive rewritten. Corrective Action Taken
02-4 Bullet 4 03-10 Bullet 2	Follow established policy regarding cash receipting. Establish a Delegation of Duties at the Program and District Level.		**Controls over Financial Reporting**	Agency applied for exceptions to the daily cash deposit requirements and received response from Sec. State. Admin Manual section regarding cash receipting is being updated Directives/Administrative Manual	Business Services Program Director Mark Hubbard, Fiscal Services Unit Manager	September 2005 December 2005	Administrative Manual drafted, currently in review process. Directives written and implemented or in review. Administrative manual in review. **Corrective Action Taken**
02-4 Bullet 5	Ensure that all staff at the district and program level have a clear assignment of duties.		**Controls over Financial Reporting**	Administrative Manual and Directives are being updated for policies and procedures affecting tasks for those outside of	Business Services Program Director	December 2005	Directives written and out for review or in place. Administrative manual drafted and out in

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				Fiscal Services Unit. Training will be done when updates completed.			review. **Corrective Action Taken**
02-4 Bullet 6 03-10 Bullet 3	Update position descriptions and ensure that all employees are adequately trained to perform their assigned duties and responsibilities. Update Position Description's to reflect current staffing		**Controls over Financial Reporting**	Position descriptions will be updated at least annually at the employee review. Complete with evaluations	Business Services Program Director Mark Hubbard, Fiscal Services Unit Manager	July 2003 FY 2004	Completed annually **Corrective Action Taken**
02-4 Bullet 7			**Controls over Financial Reporting**	Desk Manuals will be developed, updated and maintained	Business Services Program Director	March 2003	Completed **Corrective Action taken**
02-5	Department management needs to further develop polices and procedures over its contracting activities to ensure that files are complete and up-to-date, work is independently reviewed, and payments are tied to specific contracts, calculated and posted correctly and made in a timely manner. In addition, the department should correct errors identified		**Contracting**	Initiated review of fire finance, contracting and accounting processes and systems. Includes work groups that will address and propose solutions and develop action plans aimed at reducing errors and delays associated with these critical periods.	Bill Lafferty, Protection from Fire Program Director & Business Services Program Director	July 2003	In Progress **Corrective Action Taken**

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03-11 Bullet 1	during the audit. Develop policies and Procedures			Directives/Admin Manual	Facilities and Procurement Unit Manager	October 2004	Procurement / Contracting Directive Completed. **Corrective Action taken**
02-5			**Contracting**	Agency has increased its role in the development of interagency crew agreements and has dedicated more experienced and knowledgeable staff to administration and oversight of these contracts.	Bill Lafferty, Protection from Fire Program Director	July 2003	Completed Corrective Action taken
02-6	Department management needs to establish controls to ensure that revenue is recognized in the correct period.		**Timber Sales and Transfers to Counties**	Controls have been put in place and we have made the correction for this biennium in our records as a prior period adjustment.	Mark Hubbard, Fiscal Services Unit Manager	April 2003	Completed **Corrective Action taken**
02-6	Department management needs to establish controls to ensure that the calculation of payments to the counties is accurate and follows statute.		**Timber Sales and Transfers to Counties**	Controls have been put in place and a process has been put in place to assure that this is accurately calculated and a review of the process is in place to assure that this is followed through on.	Mark Hubbard, Fiscal Services Unit Manager	April 2003	Completed **Corrective Action taken**

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02-6	Controls above must include, at a minimum, written instructions, training and independent review of the work performed.		**Timber Sales and Transfers to Counties**	Controls have been put in place and a process has been put in place to assure that this is accurately calculated and a review of the process is in place to assure that this is followed through on.	Mark Hubbard, Fiscal Services Unit Manager	April 2003	Completed **Corrective Action taken**
02-6	The department should determine the total amount of revenue distributed in error and seek reimbursement.		**Timber Sales and Transfers to Counties**	This has been determined and audited. We have recognized the amount due to the agency as a Long-term revenue. Management is working with the counties in question to develop a repayment plan.	Mark Hubbard, Fiscal Services Unit Manager	December 2003	Completed **Corrective Action Taken**

"STEWARDSHIP IN FORESTRY"

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Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
03-10 Bullet 5	Monitor Internal Controls at a District level.		**Control Over Financial Reporting**	Field Audits	Mark Hubbard, Fiscal Services Unit Manager	Ongoing	Completed/ Implemented **Corrective Action Taken**
03-10 Bullet 6	Update or develop Desk Manuals - Field Level.		**Control Over Financial Reporting**	Field Audits	Mark Hubbard, Fiscal Services Unit Manager	FY 2004	Completed/ Implemented **Corrective Action Taken**
03-10 Bullet 7	Modify the cash receipting process and establish controls to ensure compliance with OAM regarding cash receipting.		**Control Over Financial Reporting**	Directives/Administrative Manual	Mark Hubbard, Fiscal Services Unit Manager	December 2005	Directives written and in review. Administrative manual in review. **Corrective Action taken**
03-10 Bullet 8	Disagreed with finding, Fully document evidence of the reconciliation process, including preparer and reviewer initials and the date prepared and reviewed		**Control Over Financial Reporting**	No action Planned			**Corrective Action taken**
03-11 Bullet 2	Training		**Contracting**	Conduct Training	Facilities and Procurement Unit Manager	May 2005	Training Started Nov 2004 and is ongoing. **Corrective Action Taken**
03-11	Timely and accurate payments and accurate		**Contracting**	Fire Program Review/PO Process and system	Facilities and Procurement Unit	May 2005	**Corrective Action**

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Bullet 3	supporting documentation			review	Manager & Bill Lafferty, Protection from Fire Program Director		**taken**
03-11 Bullet 4	Monitor Internal Controls		**Contracting**	ORS 279 re-write/Directives	Facilities and Procurement Unit Manager	May 2005	Procurement / Contracting directive completed **Corrective Action taken**
03-11 Bullet 5	Proper Use of Funds		**Contracting**	Directives/Admin Manual - reviews	Facilities and Procurement Unit Manager	FY 2004	Ongoing. ODF Procurement website updated **Corrective Action Taken**
03-12 Bullet 1	Payroll oversight and segregation of duties		**Payroll**	Directives/Admin Manual/Training/Reviews	Betsy Kelly, Payroll Services Unit Manager	October 2004	Implemented **Corrective Action taken**
03-12 Bullet 2	Proper Review and Approval of Payroll Processes - Leave AD Payroll		**Payroll**	Directives/Admin Manual/Training/Reviews	Betsy Kelly, Payroll Services Unit Manager	May 2004 The administrative manual is in the field for review.	**Corrective Action taken**
03-12 Bullet 3	Develop Policies and Procedures		**Payroll**	Directives/Admin Manual/Training/Reviews	Betsy Kelly, Payroll Services Unit Manager	October 2004 The administrative manuals are in the field for	**Corrective Action taken**

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Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
						review	
03-12 Bullet 4	Managerial Oversight		**Payroll**	Directives/Admin Manual/Training/Reviews	Betsy Kelly, Payroll Services Unit Manager	October 2004, Directive in draft form	**Corrective Action taken**

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Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
04-9	Assigning authority and responsibility to an individual/unit to align the department's financial activities. Policy and procedure to assure county payments are made on time 2. Process/Procedure	1	**Controls over Financial Accounting**	Timely county payments through cash management processes Weekly reports developed to assist in monitoring	Mark Hubbard, Fiscal Services Unit Manager		Completed Reports distributed each week **Corrective Action taken**

04-10	Further develop. Finalize, and implement policies and procedures, update desk manuals, secure checks at all times, segregation of duties in regards to checks, ensure adequate supporting documentation for each check preparation request, and maintain inventory on A-receipts and deposit slips.
	
	Cash handling policies and procedures
	
	1. Policy
	2. Process/Procedure
		1	**Internal Controls over Cash Handling**	• Directive
				  • Accounting for Revenues, Receivables and Collections.
				  • RFC
				• Rewrite Procedures for Cash Handling
				• Train on procedures
				• Monitor through Reviews and Internal Controls processes
				• Coordination with QA Director on Internal Controls.
					Mark Hubbard, Fiscal Services Unit Manager & Pam Stroebel, Quality Assurance Program Director	June 2005; Amended to December 2005	Drafts Completed RFC Directive completed
							
							Corrective Action taken

Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
	3. System 4. Communication 5. Training 6. Monitoring						
04-11 Bullet 1	Life insurance codes for 99 employees did not correspond to the employee's correct age range. Accuracy of Optional Life Insurance Premiums 3. System 6. Monitoring	2	**Internal Controls over the Payroll Program**	Develop a review system and quarterly report to monitor ages of employees covered under the insurance plan and ensure that they are moved into the next age range when appropriate	Betsy Kelly, Payroll Services Unit Manager	Ongoing – review quarterly	Initial correction completed as of February 1, 2005; Age bracket reviews November 2005 Have run a check and provided the information to auditors, a few adjustments to be made, finalized 7/05 **Corrective Action Taken**
04-11 Bullet 2	PERS contributions made to employees who were not eligible. Employees received both PERS contributions and 6% differential 1. Policy 2 .Process 4 Communication	1	**PERS contributions made to employees who were not eligible. Some employees eligible for 6% differential,**	**Correct past incorrect payments. Develop a standard communication process to ensure that HR and Payroll are coordinating changes in employee's eligibility status. Design ongoing monitoring system to routinely review and**	Betsy Kelly, Payroll Services Unit Manager & Linda Fenske Human Resources Program Director	Payment correction review completed by March 10, 2005 Amended to 6/30/05	In progress Working with returning seasonal employees to finalize payment options for continuing; collecting from seasonals in progress

Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
	6. Monitoring		**department paid both.**	**capture any discrepancies.**		Communication standard and monitoring process ongoing	Completed initial as of February 1, 2005 **Corrective Action Taken**
04-11 Bullet 3	Timesheets contained numerous manual corrections that were not supported. Accuracy of time sheets 1. Policy 2. Process 4. Communication 5. Training 6. Monitoring	1	**Time sheets contained numerous manual corrections that were not supported**	**Complete the development of the Access based time system.** **Research, acquire and use a fully integrated electronic time system state-wide.**	Betsy Kelly, Payroll Services Unit Manager	Create a standardized electronic timekeeping for the agency ;	New timekeeping system in place FY06 **Corrective Action Taken**

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Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
04-11 Bullet 4	The department did not adequately document its reasons for providing additional compensation for employees who did not take the allowed 15-min. break. Payment of time worked during break periods 1. Policy 5. Training 6. Monitoring	3	**The department did not adequately document reason for providing additional compensation for employees who did not take 15 minute breaks**	**Develop policy that clearly states when this compensation is appropriate and who is eligible. Provide ongoing training to all payroll staff. Develop ongoing monitoring mechanism**	Betsy Kelly, Payroll Services Unit Manager	Ongoing	Directive drafted **Corrective Action Taken**
04-11 Bullet 5	Units utilize different payroll timesheet formats. Use of different time sheet formats 1. Policy 2. Process 3. Systems 4. Communication 5. Training 6. Monitoring	1	**The agency units utilize different payroll time sheet formats**	**The use of an electronic time system will eliminate this concern. The use of the electronic system will ensure that all time sheets are on a standard format; to be reviewed as part of ABNAP (Forestry Business Improvement Initiative). In the interim, developing a standard timesheet.**	Betsy Kelly, Payroll Services Unit Manager	System implemented by June 2005 Ongoing	Standardized timekeeping system in place Corrective Action Taken
04-11 Bullet 6	Overpayment of seasonal employees	2	**The department**	**Review and correct the overpayments that were**	Betsy Kelly, Payroll Services Unit	Payment corrections	Completed

Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
	2. Process 3. Systems 5. Training 6. Monitoring		**overpaid seasonal employees by $291 due to various errors.**	**found.** **Develop training materials and monitoring process to prevent future errors.**	Manager Salem Payroll Unit	completed by May, 2005 Ongoing	Payroll training in place **Corrective Action Taken**
04-11 Bullet 7	Approval of time sheets by supervisor 1. Policy 3. Systems 5. Training 6. Monitoring	1	**Some time sheets were not approved by a supervisor**	**Develop policy clarifying the importance of the proper approval process.** **Continue to review monthly, both at onsite visits and random requests for forms.**	Betsy Kelly, Payroll Services Unit Manager	Ongoing	Completed draft **Corrective Action Taken** Continue onsite reviews annually; QAP performed and verbally reported results of timekeeping review
04-11 Bullet 8	Incorrect overtime payments to employees 2. Process 5. Training 6. Monitoring	2	**The department did not pay a total of $354 in overtime payments due to various errors.**	**Review and correct past errors.** **Develop monthly review process to capture calculation errors more timely.** **Set a standard of review and calculation for the field to maintain accuracy.**	Betsy Kelly, Payroll Services Unit Manager	Review completed and corrections made by March 7, 2005 Review process and monthly monitoring in place by	In progress – completed June 2005 **Corrective Action Taken**

Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
						March 15, 2005	
04-11 Bullet 9	Employee with unlimited payroll access, receives and distributes payroll checks 1. Policy 2. Process 5. Training 6. Monitoring	3	**One employee with unlimited payroll system update access also receives and distributes checks to field office employees. Increases the opportunity for misappropriation of assets.**	**Develop policy clearly directing agency payroll staff the proper process for oversights, controls, and division of duties. Will require written standards for each location. Will regularly review access and who receives the checks.**	Betsy Kelly, Payroll Services Unit Manager & Payroll Services Unit	Policy in place by April 1, 2005. Continue reviewing at onsite visits. Drafts of written guidelines by May 2005.	Training program in place, policy under development – completion of policy September 2005 1st on-site reviews at District offices completed **Corrective Action Taken**
04-11 Bullet 10	Employee enters own payroll into system without supervisory review. 1. Policy 2. Process 5. Training 6. Monitoring	1	**Employee enters own time into system without supervisory review.**	**Develop policy clearly directing the process of entering time sheets. Provide training to all Payroll Staff to ensure that they are aware of the need for security and that the policy is followed.**	Betsy Kelly, Payroll Services Unit Manager	Policy in place by April 15, 2005 Continue ongoing onsite reviews to discuss and review with staff.	Completed draft; segregation of duties in place in field offices Ongoing **Corrective Action Taken**

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04-11 Bullet 11	Department units were unable to demonstrate review of some system generated overtime exception reports. Review of overtime exception reports 2. Process 4. Communication 5. Training 6. Monitoring	3	**Department units unable to demonstrate review of some system generated overtime exception reports**	**Improve on the current process of distributing overtime reports and design tighter controls to ensure that all reports are returned timely.**	Betsy Kelly, Payroll Services Unit Manager Payroll Service Unit	Ongoing	Incorporated into onsite visits – policy to be drafted by August 2005 **Corrective Action Taken**
04-12	Develop and implement clear, written, top management supported internal procedures governing accounts receivable that include: management review of invoice preparation to better indentify and correct errors timely, follow up procedures when revenue is not received timely or when adjustments are needed to invoices, and ensuring outstanding receivables are reviewed for uncollectibility and are	1	**Internal Controls over Accounts Receivable**	Staff will implement: • Directive on Accounting for Revenues, Receivables and Collections • Administrative Manual on Revenues and Receivables and Collections	Mark Hubbard, Fiscal Services Unit Manager	December 2006	Directives drafted – Administrative Manual (procedures) drafted **Partial Corrective Action Taken**

Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
	written off if applicable. Provide training for personnel for the timely collection of past due amounts. Internal Controls over Accounts Receivable 1. Policy 2. Process/Procedure 3. System 4. Communication 5. Training 6. Monitoring						
04-13	Management ensures all department offices are in compliance with the state statute and any exemption filed. Next Day Deposits 4. Communication 5. Training 6. Monitoring	1	**Next Day Deposit Testing**	• Communicate the necessity for compliance • Review deposits info as it comes in to Salem • Develop ongoing list of "violators" to aid in identifying problem areas • Train on the need for compliance • Monitor for compliance in Review Process	Mark Hubbard, Fiscal Services Unit Manager	On-going	Field reviews ongoing; QAP finalizing cash handling audit; individual field offices reviewed were given memorandums **Corrective Action taken**

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Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
04-14 a	Align the department relocation policy with the dollar amounts allowed in state policy Clarification of state policy regarding employee recognition and relocation with DAS State Controllers Division and DAS Human Resources Division staff 1. Policy	1	**Inappropriate Use of State Funds**	Clarification of state policy	Clark Seely, Associate State Forester	End of January 2005	Completed January 26, 2005 - Clarification received January 31, 2005 **Corrective Action Taken**
04-14 b	Documenting how employees' moving expenses paid by the department are normal and reasonable. Interim agency direction on employee relocation, recognition and cash deposits 1. Policy 2. Process/Procedure 4. Communication 6. Monitoring	1	**Agency policy regarding employee recognition, relocation and cash deposits**	Interim policy direction	Clark Seely, Associate State Forester	End of February 2005	Completed February 16, 2005 **Corrective Action Taken**
04-14 c	Considering voluntary employee contributions for retirement parties, decorations, and gifts.	1	**Agency policy regarding recognition**	Revised agency directives	Clark Seely, Associate State Forester & Linda Fenske, Human	End of April 2005; Amended to end of	Revised and implemented Recognition

Finding Number	Recommendation	Priority	Issue/Theme	Response	Responsibility/Lead	Timeframe	Status
	Revision of agency policy regarding employee recognition (and associated payment of non-travel meals) 1. Policy 2. Process/Procedure 4. Communication 5. Training 6. Monitoring		**of retiring and resigning employees**		Resources Program Director	December 2005	Directive 0-3-4-800 and rescinded Recognition of Retiring & Resigning employees 0-3-2-420 and Service Awards Program 0-3-4-710. **Corrective Action Taken**
04-14 d	Revision of agency policy and procedures regarding employee relocation to include possible collective bargaining work 1. Policy 2. Process/Procedure 4. Communication 5. Training 6. Monitoring	1	**Agency policy regarding employee relocation**	Revised agency directive and administrative manual sections	Linda Fenske, Human Resources Program Director	August 2005 Amended to: December 2005	DAS-HRSD developing a statewide policy for new hires and existing employees. A committee of agency representatives (including ODF) are continuing to meet with DAS to develop a statewide relocation policy. **Corrective Action Taken**