



**Kip Memmott**  
*Division Director*

January 3, 2025

Gina Bianco, Executive Director  
Oregon Wine Board

Dear Ms. Bianco:

We have reviewed internal controls relating to the Oregon Wine Board's (OWB) state wine cellar. This work originated from an ongoing audit of state boards and commissions, which included OWB. OWB is classified by statute as a semi-independent state agency governed by a nine-member board appointed by the Governor.

The purpose of our work was to understand actions OWB has taken to ensure the appropriate use of the state wine cellar (cellar) per ORS 576.865<sup>1</sup> and wine assets are accounted for appropriately in financial statements. To accomplish this, we reviewed state statutes, requests for wine, spoke with OWB and Department of Administrative Services (DAS) staff, and visited the cellar and OWB storage space.

The legislature charged OWB with establishing the cellar in 1985. Since 1988, the cellar has been physically located at Mahonia Hall, the Governor's official residence. This may be why staff have referred to the cellar as the "Governor's cellar." In addition to the cellar at Mahonia Hall, OWB stores wine in a rented storage space in Portland.

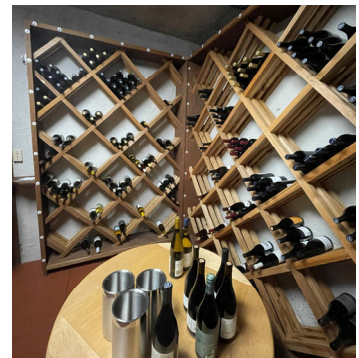
## **OWB does not have an inventory of state wine assets**

OWB does not have an inventory for the cellar or for its storage space. To properly account for the wine, OWB should have an inventory. Further, there is no record of when, the purpose, and which wines have been used over the years. The lack of internal controls creates a risk for misuse of state assets.

OWB was charged with establishing the cellar by purchasing or receiving donations of wines made from grapes grown in this state. As the cellar is in Mahonia Hall, OWB staff have worked with DAS staff over the years to coordinate requests for wine donations from the industry when the cellar needs restocking. OWB and DAS staff told us the wine from the cellar is donated and used for official events. Generally, DAS staff pull wine from the cellar for events and do not track the wine used. While OWB staff state there is a process for stocking the cellar, OWB has no written policies and procedures relating to the cellar.

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<sup>1</sup> [ORS 576, 2023 Edition](#)

*State wine cellar at Mahonia Hall in Salem*

Source: Oregon Secretary of State Audits Division

The current location of the cellar at Mahonia Hall creates obstacles for OWB to maintain an inventory and ensure proper use of the wine. OWB staff do not have physical access to the cellar without coordination with DAS staff as Mahonia Hall is a secured residence. OWB staff may collect and deliver donated wine to the mansion, but wineries may also ship or hand deliver wine as well, creating additional obstacles for maintaining an inventory. According to OWB staff, they have not physically visited the cellar. We visited Mahonia Hall on October 2, 2024, and observed nearly 300 bottles of wine in the cellar. OWB reported that leftover wines from tastings have recently been used to stock the cellar at Mahonia Hall.

Without proper inventory and management controls, OWB cannot account for the cellar, how the wine is being used, and assure it is used appropriately.

OWB periodically coordinates tastings for critic reviews and the annual Oregon wine symposium. OWB separately sources wine for these events and stores extra bottles from the events in a rented storage space. We visited the storage space on October 21, 2024. We observed at least 600 bottles of wine, although given the capacity of the space, the actual count could be over 1,100 bottles. There is also no inventory of the wines maintained in the storage space.

*We recommend OWB maintain inventories of the cellar and storage space wine.*

*We recommend OWB establish policies and procedures for the cellar.*

OWB rented wine storage space in Portland



Source: Oregon Secretary of State Audits Division

## OWB financial statements are incomplete without accounting for wine donations

OWB is required by statute to follow Generally Accepted Accounting Principles to accurately disclose the financial condition and operation of the board.<sup>2</sup> This includes recording revenues, expenditures, and assets, and liabilities. According to government accounting and financial reporting standards, donations from nongovernmental entities, such as Oregon wineries, should be recognized in financial statements if the value can be reasonably estimated.<sup>3</sup> Wine's value can be reasonably estimated.

OWB's financial reporting is incomplete. OWB does not have an inventory or valuation of the wine held in the cellar or in storage to enable complete financial reporting. Donated wine is an inflow of resources (revenues) that should be recognized in the period received for financial reporting purposes.

Auditors visited both the cellar and the storage space. Using an average price per bottle of Oregon wine, auditors roughly estimate the nearly 300 bottles held in the cellar and the minimum of 600 bottles in storage

<sup>2</sup> [ORS 182.462\(1\)\(c\), 2023 Edition](#)

<sup>3</sup> GASB Codification N50.104, GASB Codification N50.108



to be worth at least \$40,000. However, an actual determination could be obtained when a complete inventory is taken.

*We recommend OWB adhere to Generally Accepted Accounting Principles to ensure proper recognition of wine in its financial statements.*

### **Statute does not reflect how the cellar is being used**

According to the OWB and DAS staff, the wine has not historically been used for the purposes specifically identified in statute. Statute does not specifically address how cellar wine has commonly been used.

Statute states four possible ways the wine from the cellar can be used:

576.865 State wine cellar; sources; uses. The Oregon Wine Board shall establish a state wine cellar by purchasing or receiving donations of wines made in this state from fruit or grapes grown in this state. Wines collected in the state wine cellar may be:

- (1) Held as standards to compare against other wines to develop and improve Oregon viticultural and enological practices.
- (2) Sold to state governmental agencies for service at official governmental entertainment functions.
- (3) Sold to the Governor and to the administrative heads of state agencies on official government business to present as gifts when required by protocol or social custom.
- (4) Displayed and offered for tasting in connection with promotional campaigns to encourage the purchase of Oregon wines.

OWB and DAS staff report the wine in the cellar is being used for official events but has not been sold to state agencies or officials as specified in statute. Wine has been pulled from the cellar for events as needed. This has been the common use of cellar wine during the current and at least the prior two administrations. Legal advice from DOJ could determine if the current practice of taking wine from the cellar without payment is allowed under existing statutes.

*We recommend OWB obtain DOJ advice to clarify if current cellar practices are allowable.*

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Ian Green, Audit Manager at (971) 239-7934.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Sally Crawford, CFO  
Greg Jones, Board Chair  
Governor Tina Kotek  
Berri Leslie, Director, Department of Administrative Services



February 3, 2025

Ian Green, Audit Manager  
Office of the Secretary of State, Audits Division

Management Response to Auditors Letter dated January 3, 2025 (977-2025-01-01)

Dear Mr. Green,

We appreciate the opportunity to work openly and cooperatively with the staff of the Audits Division during the audit process. OWB is generally in agreement with the recommendations in the letter. Below we have outlined plans for corrective action and expected implementation dates.

<b>Audit Finding</b>	OWB does not have an inventory of state wine assets	OWB financial statements are incomplete without accounting for wine donations	Statute does not reflect how the cellar is being used
<b>Audit Recommendation</b>	OWB maintain inventories of the cellar and storage space wine. OWB establish policies and procedures for the cellar.	OWB adhere to Generally Accepted Accounting Principles to ensure proper recognition of wine on its financial statements.	OWB obtain DOJ advice to clarify if current cellar practices are allowable
<b>Plan of Corrective Action</b>	<p>OWB will inventory all wines under its control.</p> <p>OWB will work with the Governor's staff regarding wine in Mahonia Hall and take control of OWB inventory.</p> <p>All OWB inventory will be controlled by implementing procedures regarding access to the wine, tracking inventory adjustments, and scheduled inventory counts.</p>	<p>OWB will develop policies, procedures, and processes to track and document the value of wine in our inventory.</p> <p>Generally Accepted Accounting Principles will be used to ensure proper recognition of wine on financial statements.</p>	<p>OWB will work with DOJ to clarify state wine cellar practices and compliance with statute.</p> <p>OWB will develop policies and procedures to comply with statute and clearly define inventory of the state wine cellar separate from inventory of wine for other promotional uses.</p> <p>Sally Crawford, Chief Financial Officer of OWB, is responsible for implementing plan of corrective actions as outlined above. Sally Crawford will also serve as the DAS – Statewide Audit Contact for reporting.</p>
<b>Expected Implementation</b>	Close of FY24-25 financials or August 15, 2025	Close of FY24-25 financials or August 15, 2025	By December 15, 2025

We look forward to collaboration with your team as we work through our corrective action plans and reporting.

Sincerely,

Gina Bianco  
Executive Director, Oregon Wine Board