



Steve Bergmann
Division Director

March 17, 2025

Kate Skinner, Acting State Forester
Oregon Department of Forestry
2600 State Street
Salem, Oregon 97310

Dear State Forester Skinner:

We have completed audit work of the Cooperative Forestry Assistance program as it relates to the Schedule of Expenditures of Federal Awards (SEFA) at your department for the year ended June 30, 2024. This audit work was not a comprehensive audit of the department but was performed as part of our annual Statewide Single Audit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon related to the Cooperative Forestry Assistance program as of and for the year ended June 30, 2024, 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*, and the Uniform Guidance, 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 State of Oregon's SEFA, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

255 Capitol St NE, Ste 180
Salem, Oregon 97310

Tobias Read
Oregon Secretary of State

Michael Kaplan
Deputy Secretary of State

Information (503) 986-2255
sos.oregon.gov/audits

Significant Deficiency

Ensure federal expenditures are appropriately classified

Criteria: 2 CFR 200.510(b)(1), (b)(3), (b)(4)

Department management is responsible for establishing and maintaining effective internal control that provides reasonable assurance the department is managing, evaluating, and monitoring the federal award in compliance with the terms and conditions of the award.

The Schedule of Expenditures of Federal Awards (SEFA) reports direct expenditures and subrecipient pass-through payments for each federal grant. Federal grant expenditures are tracked by the programs' Assistance Listing Number (ALN) using the Grant Category field in the state's accounting system. The department uses the Award Contract Number ("Award Contract No") field to identify the Grant Category. The Grant Category field is then used to populate the SEFA.

Ten grant awards were incorrectly pointed to ALN 10.664 Cooperative Forestry Assistance due to a coding error. In addition, two grant awards that should have been pointed to ALN 10.664 were not due to the same coding errors. Misclassifying the coding in the accounting system resulted in overreporting direct expenditures for the Cooperative Forestry Assistance program on the SEFA by \$10,040,238 and underreporting pass-through payments to subrecipients by \$126,387 and underreporting for the same amounts in various other grants at the department. Subsequent to inquiries, the department updated the grant coding in the accounting system and submitted corrections to report expenditures correctly in the SEFA for fiscal year 2024.

We recommend department management ensure controls are properly designed and implemented to ensure expenditures are recorded to the correct federal programs.

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, 2024. Please prepare a response to 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 provide a response to Michelle Searfus by March 24, 2025 and provide Rob Hamilton, State Controller, a copy of your Corrective Action Plan.

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, Audit Manager or Kari Mott, Principal Auditor at michelle.n.searfus@sos.oregon.gov or kari.e.mott@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: James Short, Chief Financial Officer
Tara Sell, Deputy Chief Financial Officer
Michelle Morin, Financial Services Director
Brian Pew, Audit Liaison, Eastern Oregon Area Director
Jim Kelly, Chair, Oregon Board of Forestry
Berri Leslie, Director, Department of Administrative Services
Robert Hamilton, State Controller, Department of Administrative Services