



# DEPARTMENT OF GAME AND INLAND FISHERIES

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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## AUDIT SUMMARY

We have performed an audit of the following cycles at the Department of Game and Inland Fisheries (DGIF) for the fiscal year ended June 30, 2017:

- budget development, execution, and monitoring process
- licensing and registration system
- cash disbursements accounting (petty cash, purchasing charge cards, and travel expenses)
- procurement workflow controls

We did not follow up on findings issued in the prior DGIF audit report for the period July 1, 2015, through June 30, 2016. Due to the timing of the prior report, DGIF was not able to implement corrective action for those findings during fiscal year 2017. In future years, we will follow up on the findings issued in the prior audit report.

Our audit found:

- matters involving internal control and its operation necessary to bring to management's attention pertaining to information systems security, the administration of purchasing cards, reimbursement of travel expenses, reconciliation of license revenue, and budget development and management; and
- instances of noncompliance with applicable laws and regulations or other matters pertaining to information system security that are required to be reported.

## - TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1-6
AUDIT SCOPE OVERVIEW	7-8
INDEPENDENT AUDITOR'S REPORT	9-10
AGENCY RESPONSE	11
AGENCY OFFICIALS	12

## AUDIT FINDINGS AND RECOMMENDATIONS

### **Improve Quarterly Access Review of the Commonwealth's Purchasing System**

**Type:** Internal Control and Compliance

**Repeat:** No

The Department of Game and Inland Fisheries (DGIF) is not adequately performing a quarterly review of employee access to the Commonwealth's purchasing system, which resulted in several users with inappropriate access.

- Out of three accounts payable employees tested, two employees (66%) had access to create requisitions. This role is not necessary for them to perform their job duties.
- The purchasing system's Security Officer had access to create requisitions, which is not necessary for his role as Security Officer.
- At the end of fiscal year 2017, fourteen users had active access to the purchasing system, though they had not logged in within 90 days. The last logon for these users ranged from 93 to 610 days before fiscal year end. Of these, four users (29%) had never logged into the system after DGIF granted them access.

The Commonwealth's purchasing system's security standard requires that the Security Officer perform a quarterly system access review, in part to ensure inactive employees do not have access and system access reflects end-user job duties. The Commonwealth's Information Security Standard (Security Standard), SEC 501, Section 8.1 AC-6, requires that an organization employ the principle of least privilege when granting access to ensure that users only have the minimum access necessary to accomplish his or her job responsibilities. Not doing so puts the Commonwealth's purchasing system at risk for users circumventing other compensating controls to perform unauthorized transactions. Further, the Commonwealth's purchasing system's security standard requires the entity Security Officer deactivate accounts when the user has not accessed his or her account in more than 90 days.

Though the Security Officer performed quarterly reviews during fiscal year 2017, the reviews did not ensure that each user's access was reasonable based on his or her job duties or that inactive users did not have access. DGIF should ensure access reviews over the Commonwealth's purchasing system consider the principle of least privilege when assessing the reasonableness of user access based on the user's assigned job duties. DGIF should also monitor account usage to ensure that the Security Officer disables user accounts if the user has not logged in within the required 90-day time period.

## **Improve Controls Surrounding the SPCC Program**

**Type:** Internal Control

**Repeat:** No

The Small Purchase Charge Card (SPCC) Program Administrator at DGIF is not adequately monitoring agency and cardholder compliance with agency policies or the Commonwealth Accounting Policies and Procedures (CAPP) Manual. With the exception of reviewing transactions for fraudulent merchant category codes, the SPCC Program Administrator is performing no review of the SPCC transactional data on a monthly basis to ensure compliance. Further, the SPCC Program Administrator is not monitoring the completion of the required monthly charge card statement reconciliations or the reasonableness of travel restrictions lifted from cardholder accounts monthly. Additionally, DGIF does not have adequate controls surrounding the process for lifting travel restrictions from cardholder accounts.

DGIF does not have adequate policies and procedures over the SPCC program. Existing policies do not include the required minimum procedures as listed in the CAPP Manual and do not accurately reflect current agency operations. Further, DGIF is not allocating adequate resources to the monitoring of the SPCC program. Currently, the SPCC Program Administrator has numerous other roles within the agency that prevent her from dedicating sufficient time to monitoring the SPCC program.

During fiscal year 2017, DGIF's lack of sufficient policies and procedures and monitoring over the SPCC Program led to the following:

- Cardholders and managers did not complete the monthly SPCC reconciliations timely for 32 percent of those tested.
- None of the cardholders selected for testing maintained the necessary documentation when making hotel reservations with their SPCC.
- Permanent travel exceptions lifted in Bank of America's (BOA) online program management system were not consistent with the approved request form for 56 percent of employees' reviewed.
- The Program Administrator granted temporary travel exceptions in BOA's online program management system in excess of what the employees' supervisors approved for 28 percent of employees tested.
- The Program Administrator did not maintain written documentation of the request for lifting travel restrictions for 18 percent of transactions tested.
- The Program Administrator did not maintain the required print screens confirming removal of travel restrictions.

CAPP Manual Topic 20355 states agencies must develop and document internal control procedures to ensure compliance with the CAPP Manual, Commonwealth procurement rules and regulations, and corporate purchasing card contract provisions. The CAPP Manual lists minimum requirements for agency SPCC procedures that DGIF should use to review and update current SPCC policies and procedures to ensure compliance with the CAPP Manual and current agency operations. Finally, DGIF should devote additional resources to the SPCC program to allow the Program Administrator time to adequately perform all responsibilities necessary to ensure compliance with agency policies and the CAPP Manual.

### **Enforce Timeliness of Employee Travel Reimbursement Requests**

**Type:** Internal Control

**Repeat:** No

DGIF is not enforcing timeliness of employee travel reimbursement requests. One travel cardholder did not request reimbursement timely (i.e., reimbursements were requested 11-69 days late) for six out of nine (67%) travel card purchase dates tested during fiscal year 2017. Further, travelers requesting reimbursement for travel related purchases made without the use of a travel card during fiscal year 2017 did not request reimbursement timely (3 days late) for two of 17 (12%) reimbursement requests selected for review.

The CAPP Manual Topic 20335 requires that employees submit travel expense reimbursement vouchers within thirty working days after the completion of a travel trip. Of note, travelers requesting reimbursement from DGIF often include multiple trips in one reimbursement request. While the CAPP Manual allows for this, DGIF's internal policy states employees have thirty working days from the last day of travel on their reimbursement request to submit the request to their supervisor. This policy conflicts with the CAPP Manual since the thirty working day CAPP Manual requirement applies to each individual travel trip, not the last travel trip listed on a reimbursement request.

Timely submission and review of travel reimbursement vouchers increases the effectiveness of the internal controls surrounding this process and the timeliness of processing payments. Untimely submission of travel reimbursement requests increases the risk that travelers will request unallowable or unreasonable travel reimbursements since the ability of the reviewer to determine the reasonableness of travel expenses reduces significantly after a long passage of time. In addition, this increases the risk of paying expenses outside of the fiscal period to which they apply.

DGIF should clarify and improve existing travel reimbursement policies to ensure consistency with the CAPP Manual. Management should inform employees of the changes and enforce the policy moving forward.

## **Improve the License Revenue Reconciliation Process**

**Type:** Internal Control

**Repeat:** No

The Revenue Analyst at DGIF is not adequately reconciling revenue collections in the DGIF licensing and registration system (licensing system) to the Commonwealth's accounting and financial reporting system.

- DGIF is not ensuring proper segregation of duties is always in place surrounding the revenue reconciliation process. Sometimes the Revenue Analyst records the daily revenue transactions in the transaction log and performs the revenue reconciliation between the transaction log and the Commonwealth's accounting and financial reporting system. This is due to a vacancy in the accounting department.
- The completed reconciliations do not show evidence of variances between the transaction log and the Commonwealth's accounting and financial reporting system. The Revenue Analyst identifies and corrects errors in the transaction log prior to performing the reconciliation and excludes accounts in Cardinal that are not on the transaction log from the reconciliation, with no documented explanation.
- The Revenue Analyst is not performing a direct reconciliation between the licensing system and the Commonwealth's accounting and financial reporting system. To complete the reconciliation, the Revenue Analyst compares the transaction log to the trial balance from the Commonwealth's accounting and financial reporting system. However, the transactions from the licensing system included on the transaction log are from an automated report that only lists the transactions that successfully uploaded to the Commonwealth's accounting and financial reporting system from the portal used to upload the transactions, which is separate from the licensing system. Therefore, the transaction log could be incomplete, and the reconciliation will not identify transactions that accounting did not post from the licensing system to the portal.

The CAPP Manual Topic 20905 states that agencies should reconcile internal system reports and source documents to the Commonwealth's accounting and financial reporting system, and the reconciliation should clearly differentiate transactions that should not appear in the system from transactions that should appear. The improper reconciliation of systems to the Commonwealth's accounting and financial reporting system increases the risk of material misstatement of overall account balances. These misstatements can ultimately affect funding for DGIF services and the amounts DGIF reports for the Commonwealth's Comprehensive Annual Financial Report.

DGIF should ensure that someone other than the individual who performs the daily entry of transactions prepares the monthly reconciliation to maintain proper separation of duties, regardless of temporary or permanent staff changes. Further, the individual performing the reconciliation should document any discrepancies identified between the transaction log and the Commonwealth's

accounting and financial reporting system as part of the reconciliation. Finally, DGIF should use a revenue report directly from the licensing system to perform the revenue reconciliation to the Commonwealth's accounting and financial reporting system. If DGIF continues to perform the reconciliation using the transaction log, the individual responsible for entering transactions into the transaction log should obtain the revenue data directly from the licensing system, rather than the portal used to upload transactions to the Commonwealth's accounting and financial reporting system.

### **Improve Logical Access Controls**

**Type:** Internal Control and Compliance

**Repeat:** No

*Note: This recommendation is a redacted version of the original communication to management. We communicated detailed control weaknesses to management in a separate document marked Freedom of Information Act (FOIA) Exempt under §2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.*

DGIF does not use some required controls to protect logical access to one of its information systems. DGIF permits unnecessary access to its system and lacks adequate documentation surrounding logical access controls. As such, there is an increased risk of inappropriate access to sensitive systems and data by unauthorized individuals.

DGIF's policy and the Security Standard require the documentation and implementation of certain controls to reduce unnecessary risk to the confidentiality, integrity, and availability of DGIF's information systems and data.

DGIF should develop a plan and dedicate the necessary resources to implement the controls discussed in the communication marked FOIA Exempt in accordance with the Security Standard in a timely manner. Doing so will help to ensure DGIF secures its information systems and data.

### **Improve Budget Development and Management Process**

**Type:** Internal Control

**Repeat:** No

For the past few years, DGIF has run out of appropriations near the end of the fiscal year. Consequently, DGIF has had to delay expense payments and request appropriation adjustments from the Department of Planning and Budget (Planning and Budget). Of a sample of late payments made during the fourth quarter of fiscal year 2017, 42 percent of the payments were late due to insufficient funds.

DGIF should consider potential changes in two budget areas: setting fund floors and allocating appropriations between special revenue and federal funds. In fiscal year 2015, the Board of Game and Inland Fisheries (Board) approved fund floor reserve levels of \$16 million for the Game Protection Fund, \$2 million for the Motorboat and Water Safety Fund, and \$500,000 for the Non Game Fund to mitigate the timing variance between revenues and expenses for these particular funds. DGIF does not consider



these monies as part of their operating budget, as they cannot spend the reserves without special approval from the Board. When DGIF runs out of appropriations, they wait to request additional appropriations until they have received additional revenues to support the additional appropriations, which cause a delay in processing expense payments. The Board designed the fund floor to be a sufficient cash balance to support three months of expenses and provide a cushion for capital and other unexpected expenses. However, the three-month average of expenses for these funds over the past three years is \$11 million, \$1.2 million, and \$82,000, respectively, which, even when considering capital and other unexpected expenses, could indicate that these fund floors are higher than necessary. In addition over the years, DGIF has consistently received more federal appropriations than necessary to support its federal programs. As a result, DGIF has begun reallocating their overall appropriation requests to reflect current revenue projections to better align with agency operations and priorities.

DGIF should re-evaluate the reasonableness of the fund floor reserve levels currently in place and discuss with the Board whether they still make sense for the agency, given current revenue projections and operating priorities. In addition, DGIF should continue reallocating their appropriation requests to reflect updated receipts and projections for federal and special revenue funds in the upcoming years to better align with agency operations and priorities.

## AUDIT SCOPE OVERVIEW

DGIF manages Virginia's wildlife and inland fish to maintain optimum populations of all species; provides opportunity for all to enjoy wildlife, inland fish, boating, and other outdoor recreation; promotes safety for persons and property in connection with boating, hunting, and fishing; and provides educational outreach programs and materials to foster an awareness of and appreciation for Virginia's fish and wildlife resources, their habitats, and hunting, fishing, and boating opportunities. DGIF also enforces laws for the protection, propagation, and preservation of wildlife and fish and assists in enforcing all forestry and boating laws.

The table below provides a breakdown of DGIF's revenues and transfers from the General Fund for fiscal year 2017.

### Revenues and General Fund Transfers

	Fiscal Year 2017
Hunting and Fishing Licenses	\$25,247,026
Federal Grants and Contracts	18,599,779
Net Transfers to the Game Protection Fund from the General Fund	16,117,063
Boat Licenses and Watercraft Titling Fees	2,812,840
Other, including interest, timber sales, publication sales, and donations	3,383,963
<b>Total Revenues and Transfers</b>	<b>\$66,160,671</b>

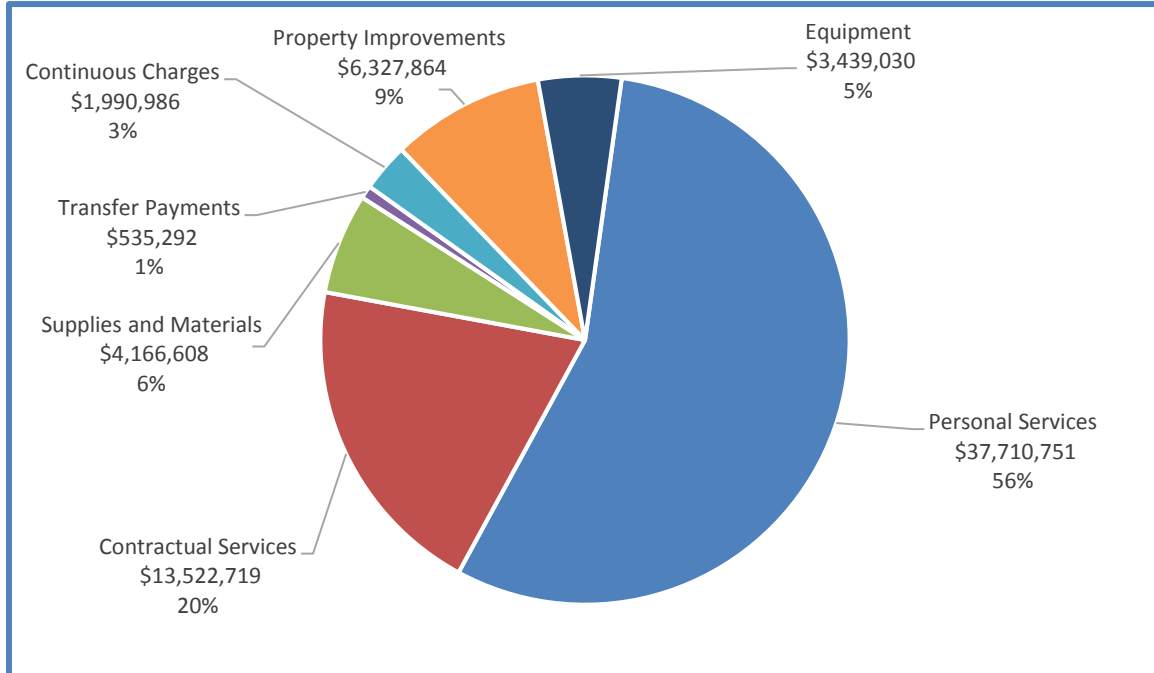
Source: Commonwealth's accounting and financial reporting system

DGIF is primarily funded through non-general funds, which are mostly earmarked for specific purposes. DGIF relies primarily on its own revenues to support its expenses, which makes budget management critical. In an effort to ensure that management has maintained accountability over the agency's budget and the appropriate use of non-general funds, we included the budget development, execution, and monitoring process as one of the objectives for this audit.

DGIF's primary source of revenue comes from the sale of hunting and fishing licenses, boat registrations, and watercraft sales and use taxes, which total \$28.1 million or 42 percent of the total revenues. In fiscal year 2017, DGIF transitioned several internal systems that managed these revenues to one external system managed by an outside party. Of the revenues received by DGIF, 57 percent flow through this licensing and registration system. As such, we included the internal controls surrounding the new system as one of the objectives for this audit.

The chart on the following page provides a breakdown of DGIF's operating and capital expenses for all funds for fiscal year 2017.

### Fiscal Year 2017 Expenses by Type



Source: Commonwealth's accounting and financial reporting system

Contractual services are DGIF's second largest expense type. We have audited personal services for the last several years; therefore, we focused on contractual services this year. DGIF initially requests contractual services through the Commonwealth's purchasing system; therefore, we included a review of procurement workflow controls as one of the objectives for this audit. In testing procurement workflow controls, we ensured that controls over the procurement of these expenses were in place and functioning adequately.

Components of contractual services particularly susceptible to fraud include the Small Purchase Charge Card (SPCC) program, petty cash, and travel reimbursements. According to Bank of America's online program management system, DGIF currently maintains over 350 active purchase cards, with a total credit limit of \$2.8 million. SPCC expenses totaled over \$3.7 million for fiscal year 2017. In addition, DGIF maintains a rather large petty cash balance of \$15,000 to cover miscellaneous payroll transactions and bounced checks for license fees. DGIF also expends a significant amount of money (>\$1 million) on employee, volunteer, and board member travel each year through employee travel cards and expense reimbursements. As such, an additional objective included during this audit was to ensure that DGIF is maintaining adequate internal controls over these cash disbursement areas.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

July 11, 2018

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the budget development, execution, and monitoring process; licensing and registration system; select areas of cash disbursements accounting (petty cash, purchasing charge cards, and travel expenses); and procurement workflow controls cycles of the **Department of Game and Inland Fisheries (DGIF)** for the year ended June 30, 2017. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Scope and Objectives**

Our audit's primary objectives were to audit the budget development, execution, and monitoring process; licensing and registration system; select areas of cash disbursements accounting (petty cash, purchasing charge cards, and travel expenses); and procurement workflow controls cycles. In support of these objectives, we reviewed the adequacy of DGIF's internal controls over the specified cycles and tested for compliance with applicable laws, regulations, contracts, and grant agreements as they related to our audit objectives.

## **Audit Methodology**

DGIF's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, as they related to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures.

We performed audit tests to determine whether DGIF's controls relating to our objectives were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements as related to our audit objectives. Our audit procedures included inquiries of appropriate personnel; inspection of documents, records, and contracts; and observation of DGIF's operations. We performed analytical procedures, including budgetary and trend analyses, and tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We noted certain matters pertaining to information systems security, the administration of purchasing cards, reimbursement of travel expenses, reconciliation of license revenue, and budget development and management involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

We did not follow up on findings issued in the prior DGIF audit report for the period July 1, 2015, through June 30, 2016. Due to the timing of the prior report, DGIF was not able to implement corrective action for those findings during fiscal year 2017. In future years, we will follow up on the findings issued in prior audit report.

### **Exit Conference and Report Distribution**

We discussed this report with management on July 12, 2018. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC/clj



Matthew J. Strickler  
*Secretary of Natural Resources*

**COMMONWEALTH of VIRGINIA**  
*Department of Game and Inland Fisheries*

Robert W. Duncan  
*Executive Director*

July 20, 2018

Martha Mavredes  
The Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Mavredes:

Thank you for affording us the opportunity to review the findings and recommendations made during the Auditor of Public Accounts (APA) audit of our financial transactions for fiscal year ending June 30, 2017. The Department of Game and Inland Fisheries (DGIF) agrees with the observations and concurs with the recommendations that have been made by APA in this report.

We believe that DGIF has made significant progress to correct issues reported in prior years and were well positioned to implement—almost immediately—many of your office's recommendations this year. In fact, with some recommendations, DGIF had already initiated corrective actions in advance of this year's review. This level of self-evaluation and preparedness on the part of our staff is testament to your office's support over the past few years.

DGIF takes pride in the fact that improvements are taking place and are reflective of new talent, new energy, and most importantly a renewed pride in how we manage our financial and other administrative responsibilities. Although a lot of work has gone into making such improvements, DGIF will continue looking for ways to establish consistency with more rigorous financial operations in our department.

We look forward to working with your staff to promptly address all recommendations as part of our ongoing Corrective Action Work Plans. I would like to also thank you for the level of support and professionalism your staff showed during the audit, and look forward to this same type of working relationship in the future.

Sincerely,

A handwritten signature in cursive script that reads "Robert W. Duncan".

Robert W. Duncan, Executive Director

CC: Douglas Dear, Chair, DGIF Board  
DeAnn B. Compton, Audit Director, Capital Asset Management, APA

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## DEPARTMENT OF GAME AND INLAND FISHERIES

as of June 30, 2017

### BOARD MEMBERS

Catherine Claiborne, Chairwoman

Leon Boyd, Vice-Chairman

Watkins Abbit

Bill Bolling

Nicole Butterworth

H.S. Caudill

Chuck Cunningham

Douglas Dear

Clayton Spruill

Leon Turner

### DIRECTOR

Robert W. Duncan