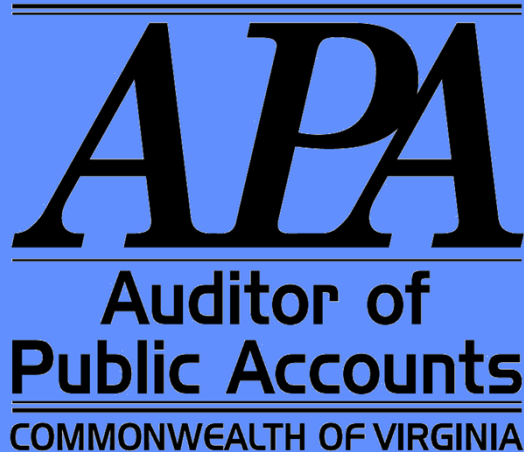


**DEPARTMENT OF GAME AND INLAND FISHERIES**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2010**



## **Risk Alerts**

During the course of our audit, we encountered issues that are beyond the corrective action of management and require the action of either the Game and Inland Fisheries Board, another agency or outside party, or a change in the method by which the Commonwealth conducts its operations. The following issues represent such a risk to the Board and the Commonwealth.

### **Funding for Future Operations**

While Game's revenues were sufficient to cover their operating expenses, Game's fees for licenses as well as the federal grants they receive are not sufficient to sustain their current operations, excluding capital outlay. Game continues to rely heavily on receiving a portion of the General Fund's sales and use taxes in order to meet their expenses.

Currently, Game plans to continue to pay for their capital improvements from the Game Protection Fund, but the Fund is not sufficient to sustain operations and meet all their capital improvement needs beyond the first quarter of 2014, unless they implement revenue and cost savings strategies.

Game management and the Game Board are acutely aware of their financial situation. Game management prepares detailed models that project revenue and expense trends. In their most recent model projection prepared for the Game Board's Finance, Audit and Compliance Committee in May 2011, Game estimated that if current trends continue and Game continues to fund property improvements at their required levels, Game will run out of Game Protection Fund monies beginning in fiscal year 2014 and will operate at a deficit. In response to the projected deficit, Game implemented savings strategies and fee increases that will sustain operations at the current level through 2016.

### **Anticipate Need for Succession Planning and Staff Replacement**

Since the prior year audit, Game has experienced significant employee turnover in the Finance area. Six key financial personnel have left Game.

Management has consolidated positions; however the lack of training and knowledge of the agency policies and procedures, increased workloads, an inability to fill the vacant positions, and other factors are affecting the ability of staff to maintain an understanding of operations and respond to inquiries. We understand that other areas within Game also have a significant number of personnel eligible to retire.

Management is going to need to review how it is going to provide the training, re-engineer and document its policies and procedures, and maintain operations in its financial area, while the staff undertake their job. Additionally, Game needs to determine where else it is at risk so that similar situations do not occur.

## **AUDIT SUMMARY**

Our audit of the Department of Game and Inland Fisheries for the period June 1, 2009 through June 30, 2010 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and its operations necessary to bring to management's attention; and
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## **AUDIT FINDINGS AND RECOMMENDATIONS**

### **Risk Alerts**

During the course of our audit, we encountered issues that are beyond the corrective action of management and require the action of either the Game and Inland Fisheries Board, another agency or outside party, or a change in the method by which the Commonwealth conducts its operations. The following issues represent such a risk to the Board and the Commonwealth.

#### **Funding for Future Operations**

While the Department of Game and Inland Fisheries's (Game's) revenues were sufficient to cover their operating expenses, Game's fees for licenses as well as the federal grants they receive are not sufficient to sustain their current operations, excluding capital outlay. Game continues to rely heavily on receiving a portion of the General Fund's sales and use taxes in order to meet their expenses.

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#### **Anticipate Need for Succession Planning and Staff Replacement**

Since the prior year audit, Game has experienced significant employee turnover in the Finance area. The former Director of Administrative Services (supervisor of Accounting Manager), Accounting Manager, and two Accounting staff are no longer with the agency. In addition, the Accounts Payable Manager retired in June 2011, and the Budget Manager has recently resigned effective July 2011.

The new Director of Planning and Finance assumed the Director of Administrative Services and Accounting Manager positions. In addition to the position consolidation, the turnover has led to increased individual workloads throughout the division to compensate for the vacant positions. There has also been limited time to train existing staff properly on their increased workloads to ensure that everyone understands their responsibilities, the interdependencies among the departments, and the need to work together to ensure strong internal controls.

During the audit, we encountered numerous situations where employee turnover, combined with a lack of succession planning and an inability to fill vacancies, resulted in Game's inability to provide documentation or timely explanations for variances in expenses or revenues. Also contributing to the problems we encountered was a lack of agency specific accounting policies and procedures that staff could use to perform their work.

Game management should document all fiscal policies and procedures. Game implemented an ongoing internal leadership program about three years ago. In connection with this, Game should develop

plans on how to handle short, long-term, and permanent vacancies in key positions in the agency to prevent the issues they have encountered during the past year with high turnover.

We understand that other areas within Game also have a significant number of personnel eligible to retire. Management is going to need to review how it is going to provide the training, re-engineer and document its policies and procedures, and maintain operations in its financial area, while the staff undertake their job. Additionally, Game needs to determine where else it is at risk so that similar situations do not occur.

### **Internal Control and Compliance Issues**

#### **Improve Internal Controls and Compliance of the IT Systems Security Program**

Game has made progress on its information security program since our prior year's review. However, there are key components that Game must complete to ensure compliance with the Commonwealth's information security standards.

- *Business Impact Analysis:* While Game has developed a Business Impact Analysis (BIA) since the prior year audit, it does not include the Recovery Point Objective or maximum tolerable down times for each function, as required by ITRM Standards. The identification of these is necessary to properly assess risk.
- *Information Security Officer:* Game has not documented in the Employee's Work Plan the ISO's roles and responsibilities and related authority, as identified in ITRM Policy SEC519 and ITRM Standard SEC501.
- *Security Awareness Training Program:* Game does not actively ensure that all staff receive annual security awareness training and that training records are maintained acknowledging receipt of training. Further, Game does not have role-based (with the exception of the Law Enforcement Division) or technical IT security training programs for employees and contractors who design, manage, administer, and operate IT systems and applications. The Commonwealth's security standard requires that all employees undergo annual IT Security Awareness Training to provide them with guidance on how to best protect sensitive data.

Game should complete the remaining items missing in the BIA and ensure that these elements flow through to the other areas of the IT Security Plan. Game's management should add the ISO's roles and responsibilities to the ISO's Employee Work Plan to ensure that the ISO is aware of his role in developing, implementing, and enforcing Game's information security plan.

Game's management should dedicate the necessary resources to ensure that new and existing employees complete and acknowledge receipt of IT security awareness training and that records of completed training be retained for at least three years. Additionally, we recommend that Game's Information Security Officer ensure that departments are complying with security awareness training requirements by periodically reviewing training content and attendance. Finally, Game should develop and implement a role-based Security Awareness and Training program that gives specialized training to agency resources responsible for key areas of the information security program.

#### **Maintain CARS Reconciliation Records**

Game could not locate monthly and year-end reconciliations of their Accounting Information Management System (AIMS) to Commonwealth Accounting and Reporting System (CARS) and the

Commonwealth Integrated Payroll/Personnel System (CIPPS) to CARS. Because Game could not locate the reconciliation documentation, we could not determine whether Game is performing the monthly and year-end AIMS to CARS and CIPPS to CARS reconciliations. Game did certify to Department of Accounts that the reconciliations were complete.

The CAPP Manual requires that agencies document CARS reconciliations and make them available for inspection by the Auditor of Public Accounts. It further recommends that supporting documentation be retained for three years. Failure to perform reconciliations and identify and correct discrepancies or errors in AIMS, CIPPS, or CARS could result in inaccurate information in any of the systems.

Game should perform all reconciliations and retain all necessary support to substantiate that they are performing their monthly reconciliations. Game should incorporate this process into their policies and procedures.

#### Improve Internal Controls over System Access

Game does not have adequate policies and procedures to ensure access to critical systems is deleted when employees leave the agency or change positions or that access provides adequate segregation of duties.

#### *CARS*

In CARS, management did not delete access for two of eight employees with CARS access, one for several months and the other for many years, after the employees terminated.

#### *eVA*

In eVA, we found three employees had access for several months to several years after their termination, one employee no longer needed access due to a change in position, and three employees had the ability to enter and approve requisitions and purchase orders. However, controls exist in Game's originating purchasing system (AIMS – Purchasing module) that reduce the risk of inappropriate purchases through eVA. Allowing terminated employees or employees with changes in responsibilities to retain their access increases the risk that employees will jeopardize the confidentiality, integrity, and availability of Game's critical information.

Game should review its processes for deleting employee access to ensure the deletion of access promptly after an employee's termination. We further recommend that Game, at least every two years, review all employee access to any system to ensure that access is appropriate, reflects proper segregation of duty, and meets the employee's need to fulfill their job function.

#### Obtain Prior Authorization for Part-Time Employee Exceeding 1500 Hours

Game did not obtain prior authorization from the Executive Director or his designee for one of two part-time employees to exceed the 1500-hour maximum in a 365-day period. Once management discovered that the individual exceeded 1500 hours, the Executive Director approved the excess. However, based upon the Department of Human Resource Management's policy, exceptions to the 1500-hour maximum must have approval of the agency head prior to the employee exceeding the hours. Wage employment should cover peak workloads and seasonal or short-term needs.

Game should obtain prior authorization from the Executive Director for any part-time employee that potentially could exceed the 1500-hour maximum in a 365-day period. Game should develop and implement policies and procedures that adhere to the intent of wage employment and comply with the exception process by having part-time employees approaching 1500 hours reviewed for authorization before they exceed the 1500 hour maximum.

## AGENCY HIGHLIGHTS

Game 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 recreations; 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. Game also enforces laws for the protection, propagation, and preservation of wildlife and fish; assists in enforcing all forestry and boating laws; and seeks to optimize game and fish populations.

In support of the agency's mission, Game employs about 480 full and part-time staff and owns approximately 193,191 acres of land purchased with revenue generated from the hunters, anglers and boaters and federal assistance for management and use of wildlife resources and related outdoor recreation. Game owns and maintains 34 Wildlife Management Areas, 61 public fishing lakes and ponds, 61 dams, nine fish hatcheries, two regional office complexes (three more regional offices are under lease agreement), a central headquarters complex, and 77 public boating access sites (88 additional sites are leased and 50 more sites are under cooperative agreements with localities).

## FINANCIAL HIGHLIGHTS

Table 1 below represents Game's original and adjusted budgets, as well as their actual expenses by program for fiscal year 2010. The Wildlife and Freshwater Fisheries Management program makes up the majority (63 percent) of Game's actual expenditures. Capital Outlay Projects budget includes funding for the relocation of Game's headquarters, although Game has not finalized a permanent location yet.

**Table 1**

Analysis of Budgeted Funding and Actual Expenses – Fiscal Year 2010

Program	Original Budget	Final Budget	Actual Expenses
Wildlife and freshwater fisheries management	\$40,581,585	\$41,303,334	\$35,015,271
Boating and safety regulation	5,388,308	7,303,850	6,437,671
Administrative and support services	6,203,483	6,205,483	5,463,386
Capital outlay projects	<u>10,000,000</u>	<u>36,362,802</u>	<u>8,552,873</u>
Total	<u>\$62,173,376</u>	<u>\$91,175,469</u>	<u>\$55,469,201</u>

Source: Commonwealth Accounting and Reporting System;  
2010 Original Budget-Appropriation Act, Chapter 781

Game receives funding from several sources to pay for their programs, including the sale of hunting and fishing licenses, boat registrations, federal grants and contracts, watercraft sales and use taxes, and voluntary taxpayer contributions to non-game wildlife as designated from their state income tax refund. In addition, Game indirectly receives General Fund revenue collections from a portion of the sales and use taxes derived from the sales of hunting and fishing products, up to \$13 million annually. These sales and use taxes provided Game with \$9.6 million in fiscal year 2010.

Game also indirectly receives General Fund revenue collections from sales and use taxes on new watercraft sales; the Appropriations Act limited Game's share of these taxes to \$3 million in fiscal year 2010. Quarterly, the Comptroller transfers the appropriate amount of collections from these taxes to the Game Protection Fund, which the Commonwealth classifies as a Dedicated Special Revenue fund. The Game Board manages the Game Protection Fund and uses it to pay salaries, allowances, wages, and expenses incidental to carrying out hunting, trapping, and inland fish laws.

The Game Board may also transfer up to fifty percent of the revenue generated annually from the sales and use tax to a Capital Improvement Fund to purchase, construct, maintain, or repair Game's capital assets. The Capital Improvement Fund may accumulate up to \$35 million, but if it accumulates more than \$35 million then the sales and use taxes remain in the General Fund until the Capital Improvement Fund is less than \$35 million.

Table 2 below provides a breakdown of Game's revenue and transfers from the General Fund.

**Table 2**

Details of Game's Actual Revenue and General Fund Transfers  
Fiscal Year 2010

Source	2010
Hunting and fishing licenses	\$21,469,762
Net transfers to the Game Protection Fund from	
General Fund sources	11,280,044
Federal grants and contracts	13,846,827
Other, including insurance proceeds, timber sales, publication sales	5,065,748
Boat licenses and watercraft titling fees	<u>3,355,546</u>
Total net revenue	<u>\$55,017,927</u>

*Source: Commonwealth Accounting and Reporting System*

Table 3 below details Game's actual expenses by major object. In fiscal year 2010, personal services accounted for the majority of Game's expenses at 56 percent. Contractual services, at about 16 percent, include expenses for communication, repair and maintenance, support, and technical services. In fiscal year 2010, property and improvements expenses increased significantly to \$3.4 million from \$0.8 million in 2009 due to land acquisition for the Big Woods project.

Game's capital outlay expenses of \$8.5 million, include about \$3.6 million for the continued renovation of the Coursey Springs Hatchery project and \$3.2 million for the Big Woods land acquisition project. Additionally, Game spent about \$1.6 million for general maintenance, dam safety compliance, and boating access.



**Table 3**

Expenses by Major Object - Fiscal Year 2010

Major Object	2010 Expenses	2010 Percent
Personal services	\$31,268,427	56.37%
Contractual services	8,734,986	15.75%
Supplies and materials	3,810,005	6.87%
Property and improvements	3,476,104	6.27%
Plant and improvements	3,432,646	6.19%
Equipment	2,895,682	5.22%
Continuous charges	1,594,301	2.87%
Transfer payments	<u>257,049</u>	<u>0.46%</u>
Total expenses	\$55,469,200	100.00%
Less: capital outlay included above	<u>8,552,873</u>	
Total operating expenses	<u>\$46,916,327</u>	

*Source: Commonwealth Accounting and Reporting System*

Funding Future Operations

Revenue Table 2 and Expense Table 3 above show revenues were sufficient to cover their operating expenses for fiscal year 2010. However, Game's operations are highly dependent on receiving a portion of the General Fund's sales and use taxes. Game's fees for licenses as well as the federal grants they receive are not sufficient to sustain their current operations, excluding any capital improvements.

Currently, Game plans to continue to pay for their capital improvements from the Game Protection Fund, but the Fund is not sufficient to sustain both operations and meet all their capital improvement needs beyond 2014.

Game management and the Game Board are acutely aware of their financial situation. Game management prepares detailed models that project revenue and expense trends taking into consideration increased costs, potential areas for additional revenue, creation of use fees, increase in license fees and corresponding federal match, and savings from Board-directed programs. Their most recent model projection prepared for the Game Board's Finance, Audit and Compliance Committee in May 2011 uses management's best estimates based on federal grant reductions, state government caps/costs; license sales trends, taxpayer contributions, watercraft sales and renewals of existing watercraft registrations, predictions of personnel levels, and consumer price index adjusted operating expenses.

Game estimates that if current trends continue and they continue to fund property improvements at the projected levels, which include construction of a new central office, Game will run out of Game Protection Fund monies beginning in fiscal year 2014. If Game does not change its fees or implement savings strategies, they will deplete available cash balances during the first quarter of fiscal year 2014 and begin operating at a deficit.

In response to the projected deficit, Game has developed the following savings strategies and fee increases that will extend the period in which they can continue to support operations and capital improvements at the current level to 2016.

- raise select adult license fees, effective July 2011
- impose staff savings/cost avoidance
- increase timber sales and industry/partner donations
- reduce quail and elk plan spending for fiscal year 2012
- implement a daily use fee of \$3 or an annual fee equal to the price of an annual basic state resident fishing or hunting license at department-owned wildlife management areas and public fishing lakes and includes a civil penalty of \$50 for violators, effective January 2012.

The forecast model continues to be an excellent tool that provides the Game Board with information so they can take action to prevent the trends from actually occurring. In order to be effective, it is important that Game monitor regularly the trends and update the data and estimates used in the model so the Board can respond to changes in the trends.



# Commonwealth of Virginia

## *Auditor of Public Accounts*

Walter J. Kucharski  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

July 15, 2011

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Department of Game and Inland Fisheries** (Game) for the year ended June 30, 2010. 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 Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of Game's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

### Audit Scope and Methodology

Game's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. 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 and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Payroll  
Small Purchase Charge Cards  
Expenses  
Revenues  
Capital Assets - Capital Outlay Procurement

Systems Access  
Information Security Systems  
Fleet Management  
Agency Forecast

We performed audit tests to determine whether Game's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Game's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that Game properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Game records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

Game has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

### Exit Conference and Report Distribution

We discussed this report with management on July 19, 2011. 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



# COMMONWEALTH of VIRGINIA

Douglas W. Domenech  
*Secretary of Natural Resources*

*Department of Game and Inland Fisheries*

Robert W. Duncan  
*Executive Director*

July 26, 2011

Walter J. Kurcharsky  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Mr. Kucharski:

Thank you for giving us the opportunity to review your audit of our agency's fiscal operations. We appreciate your staff's professionalism and thank them for bringing to our attention the opportunity to improve our organization. I am pleased to inform you that we have already started taking the necessary steps to correct the items cited and are committed to a prompt resolution..

Although these items are mainly attributable to the recent loss in seasoned professional staff, we will continue to pursue cost effective alternative strategies that will improve our control over transactions while we await the opportunity to recruit new team members.

Sincerely,

A handwritten signature in cursive script that reads "Bob Duncan".

Robert W. Duncan  
Executive Director

C: C. Colgate, Chairman, DGIF Board Finance, Audit and Compliance Committee  
M. Koch Chief Operating Officer  
T. Gelozin, Director of Planning & Finance

DEPARTMENT OF GAME AND INLAND FISHERIES

BOARD MEMBERS

As of June 30, 2010

Charles S. Yates, Chairman

James W. Hazel, Vice Chairman

Ward Burton	Randy J. Kozuch
James B. Clarke, III	John W. Montgomery, Jr.
Sherry S. Crumley	Mary Louisa Pollard
Dr. William T. Greer, Jr.	Richard E. Railey, Jr.

F. Scott Reed, Jr.

DIRECTOR

Robert W. Duncan