

**DEPARTMENT OF GAME AND INLAND FISHERIES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Department of Game and Inland Fisheries for the two-year period ended June 30, 1999, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions;
- no instances of noncompliance that are required to be reported; and
- adequate implementation of corrective action on prior audit findings.

Reportable conditions are described in the subsection titled “Internal Control Findings and Recommendations.”

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AGENCY OFFICIALS

May 8, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Game and Inland Fisheries** for the two-year period ended June 30, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues and Cash Receipts
Expenditures

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department'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.

The Department'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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions are described in the section titled "Internal Control Findings and Recommendations." We believe that none of the reportable conditions is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

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

EXIT CONFERENCE

We discussed this report with management at an exit conference held on June 7, 2000.

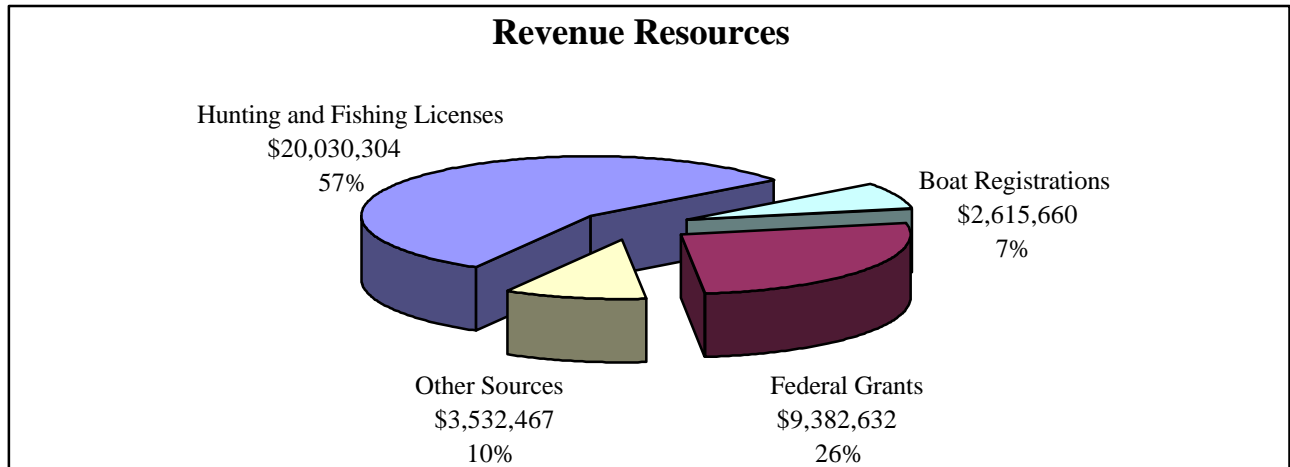
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AGENCY BACKGROUND AND FINANCIAL HIGHLIGHTS

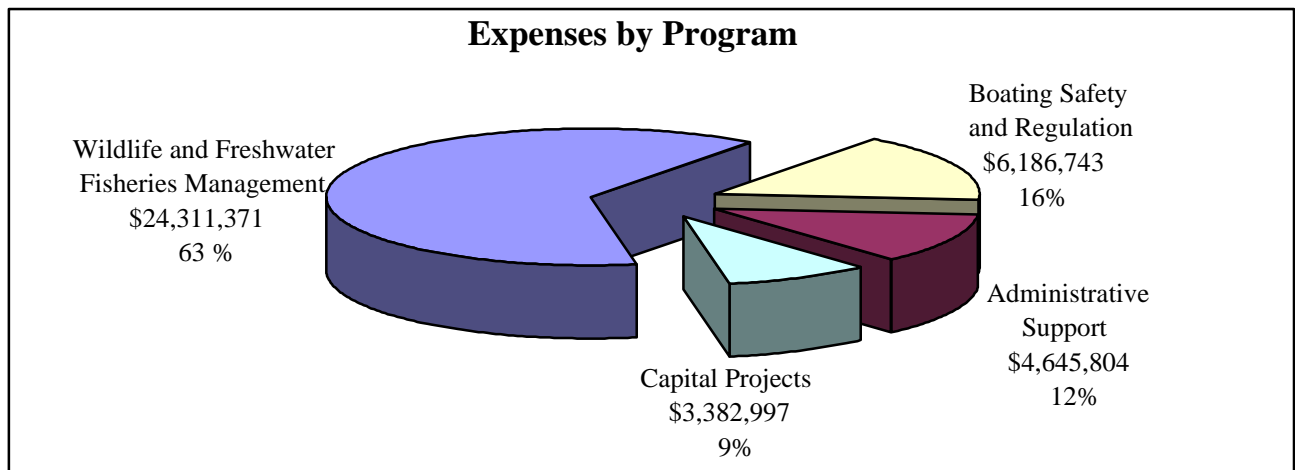
The Department of Game and Inland Fisheries enforces laws for the protection, propagation, and preservation of wildlife and fish, assists in enforcing all forestry laws, and seeks to increase game and fish populations. The Department owns and operates 39 public fishing lakes totaling over 176,000 acres; and maintains over 1,000 miles of road and manages 188,000 acres of land on 33 wildlife management areas.

The Department received over \$35.5 million in revenue during fiscal year 1999. The following chart illustrates the Department's revenue sources.



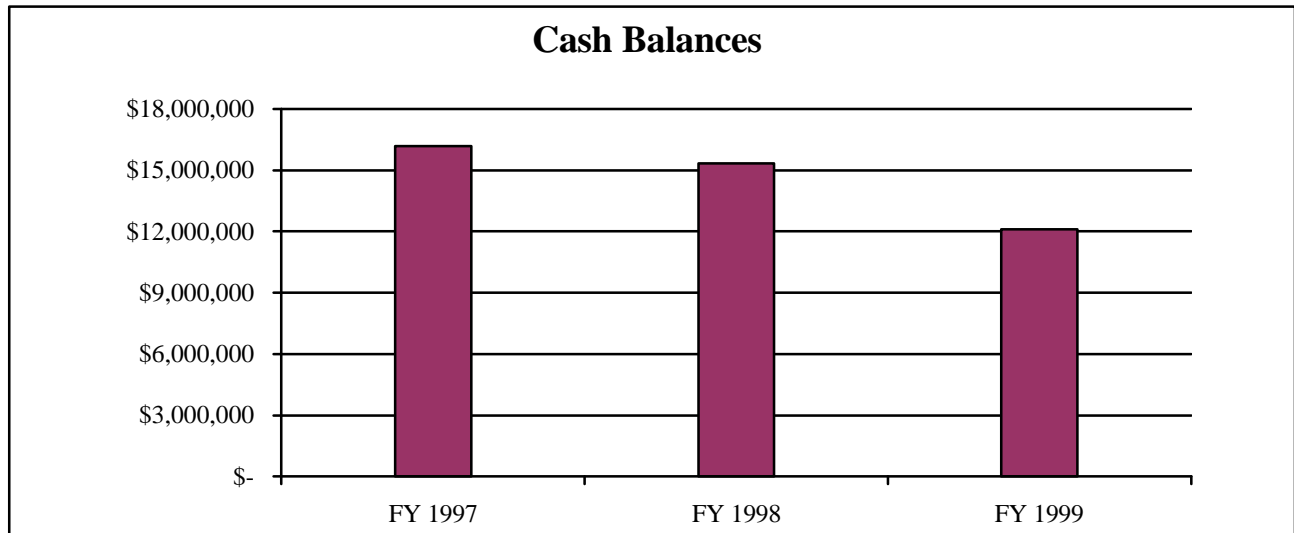
Other sources include approximately \$3.1 million received in accordance with Section 58.1-1410 of the Code of Virginia, which provides that a percentage of watercraft sales and use taxes collected by the Tax Commissioner be transferred to the Department to fund boating-related activities.

The Department spent approximately \$38.5 million on programs during fiscal year 1999. The following chart shows the total expenses by program.



Capital and Cash Flow Needs

In October 1996, the Auditor of Public Accounts issued a special report entitled “Department of Game and Inland Fisheries Cash Reserves,” which reviewed the Department’s short and intermediate-term capital and cash flow needs. The report concluded that the Department did not have the revenue capacity to reserve current or projected revenues to meet capital or cash flow needs. Internal projections at that time anticipated operating deficits by fiscal year 1999. As predicted, the Department experienced an operating deficit of approximately \$2.9 million for the year. This deficit contributed to a reduction in the Department’s overall cash balance in fiscal year 1999. As the following graph depicts, the Department’s cash balances have declined a total of \$4.1 million since fiscal year 1997.



In 1998 the General Assembly passed legislation that allocates up to \$13 million per year in existing sales tax collections on hunting, fishing, and wildlife-watching equipment to the Department. The actual amount of additional funding, estimated to be \$12 million in fiscal year 2001, will be based on expenditures by anglers, hunters, and wildlife-watchers as determined by the National Survey of Fishing, Hunting, and Wildlife-Associated Recreation conducted by the United States Fish and Wildlife Service.

The bill also created the Capital Improvement Fund to purchase, maintain, or repair the Department’s capital assets. The Department may transfer up to 50 percent of the dedicated sales tax revenue to the Capital Improvement Fund.

Department Organization

The Department has six divisions, briefly described below.

Law Enforcement Division

The Law Enforcement Division enforces boating, hunting, and fishing laws. Law Enforcement also manages the Hunter Education Program. In addition to law enforcement, Game Wardens provide support to the field divisions in wildlife and fisheries management.

Wildlife Division

The Wildlife Division manages game, non-game, and endangered species. Wildlife maintains 33 wildlife management areas that provide opportunities to watch wildlife, observe the plant life, and hunt, fish, and boat. Wildlife provides technical assistance to landowners through programs such as the Quail Management Plan, Forest Stewardship Program, and the Deer Management Assistance Program. The Division also provides information and educational activities through the Wildlife Education Program.

Fisheries Division

The Fisheries Division improves opportunities for the recreational use of the fisheries' resources; manages sport fishing; and increases public awareness of the state's aquatic resources. This Division also manages Virginia's waters for optimum populations of fish in both warm and cold-water streams.

During 1999, the Department completed construction of the Vic Thomas Hatchery in Brookneal, Virginia. This facility's primary use is hatching and rearing striped bass.

Boating Division

The Boating Division administers the watercraft registration and titling program and licenses all watercraft dealers. All watercraft propelled by machinery must register with the Department and have a title. The Division promotes boating safety and education through educational programs such as a basic boating class. Classes address water safety, navigation, legal requirements, weather, and personal watercraft safety.

Wildlife Information and Enhancement

This Division has two sections. The Wildlife Information and Enhancement section coordinates responses with the staff of Fish, Wildlife, and Law Enforcement Divisions on environmental assessment reviews and maintains the Fish and Wildlife Information System (FWIS). FWIS is a computerized system that maintains current information on wildlife species and their associated habitats. The Special Projects section handles special projects and lifetime permits and licenses.

Administrative Services

The Administrative Services Division manages the Information Management Section, Planning, and Fiscal functions. Fiscal functions include Accounting (General and Licensing), Budgeting, Capital Outlay Management/Lands, and Purchasing. In addition, Administrative Services manages Boating Access and Facilities. Publications, Information, Public Relations and Personnel operate as sections under the Director's Office.

The Administrative Services Divisions works with approximately 700 private businesses and clerks of the Circuit Court as agents for the sale of hunting and fishing licenses. The Department sells over 40 different kinds of licenses, permits, and stamps; and issues approximately 20 different types of lifetime licenses and permits.

The Capital Outlay Management/Lands section of Administrative Services has responsibility for capital outlay and facility maintenance; and development and implementation of short and long-term capital outlay projects.

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

During the course of our audit work we identified the following internal control findings.

Review Internal Control Structures

Management has developed extensive internal control policies and procedures, but does not determine if personnel are following these procedures or whether the procedures have become outdated. Having written internal control policies and procedures is only the first step in developing and maintaining a good and effective internal control system. Periodic reviews and oversight are critical elements to making sure that the internal control policies and procedure continue to operate.

The Department experienced a loss of \$13,500 between August 1998 and February 1999 partly because personnel were not following established procedures. This deviation allowed an individual to surreptitiously destroy deposit documents, take the cash, but deposit the checks. The Department did not learn of the scheme until December 1999 when the Department of Treasury notified them that there were several bank deposits without supporting deposit documents.

As a result of this situation, management redesigned and implemented procedures to address the receipt of cash and checks. The procedures provide management oversight, adequate safeguarding of receipts collected, and improved segregation of duties. These controls became effective April 15, 2000.

Recommendation #1

Management needs to conduct periodic reviews to determine if personnel are following the policies and procedures or those items require revision or addition. Management needs to conduct these reviews through two ways. First, supervisors should understand the need for controls and as part of their daily job duties should conduct on-going reviews. More importantly, these supervisors should have the ability to recommend both new controls and revisions based on their knowledge of the operating environment.

Secondly, management should conduct a periodic and systematic review of all internal control policies and procedures. Management should rotate this review either throughout the organization or by functional area. These reviews would provide management an opportunity to assess control and determine where opportunities exist to change operating procedures.

Reconcile Systems

The Department did not properly reconcile its internal revenue accounting system to the Commonwealth's Accounting and Reporting System (CARS). Had the Department compared revenue system reports to monthly CARS deposit reports, they could have noticed the diversion of cash and unsupported deposits much sooner.

Management plans to remedy this situation by changing internal automated systems procedures to properly reconcile revenue source detail to CARS and to provide sufficient audit trails for revenue transactions. Further, management plans to implement an automated edit check or error listing that will flag discrepancies between deposits in the Department's revenue system and deposits recorded in CARS. In May 2000, the Department should have system changes completed.

Recommendation #2

The Department should reconcile revenue recorded in the internal accounting system to CARS monthly. Reconciling revenue will enhance control over revenue transactions and provide clear audit trails for all agency revenue transactions.

Improve Credit Card Controls

Employees use approximately ten different gasoline credit cards throughout the agency to purchase motor vehicle fuel and related items for department vehicles. However, the Department's records do not show all those employees who have gasoline credit cards. Also, there are no procedures for the return of gasoline credit cards whenever cardholders terminate employment.

Management plans to centralize the card issue and return process by transferring this responsibility to the Division of Administration's Purchasing Unit. Also, management intends to begin a pilot program in May 2000 to determine the feasibility of using the "Voyager Fleet Systems, Inc" gasoline credit card. According to management, the Voyager card is used by the Departments of State Police and Transportation, and is widely accepted throughout the Commonwealth. If the test is successful, management will adapt the Voyager card and reduce the number of different gasoline credit cards now in use.

Recommendation #3

Management should establish adequate internal control practices governing the issue, use, and return of gasoline credit cards.

DEPARTMENT OF GAME AND INLAND FISHERIES
Richmond, Virginia

William L. Woodfin, Jr., Director

Raymond E. Davis, Director of Administration

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