



# DEPARTMENT OF CONSERVATION AND RECREATION

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

We audited the Department of Conservation and Recreation's (Conservation and Recreation) internal controls and compliance over expenses, including transfer payments, sales and use tax remittances, and accounts payable; revenues, including year-end cash deposits, receipt of prepayments, and revenue refunds; system access controls; financial system reconciliations; and financial reporting for capital projects for the fiscal year ended June 30, 2020. We found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system and the agency's financial system;
- matters involving internal control and its operation necessary to bring to management's attention; and
- an instance of noncompliance with applicable laws and regulations or other matters that are required to be reported.

As our audit scope was limited to those areas described above, this report only includes internal control and compliance matters we identified as related to the scope. In addition, we followed up on a select finding from the prior report as reflected in the [Findings Summary](#) section of this report. We found that Conservation and Recreation has not taken adequate corrective action to resolve this finding and have identified it as repeat in the Findings Summary. We did not review management's corrective action on the prior year finding identified as deferred in the [Findings Summary](#). We will follow up on this finding in a future audit.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### **Ensure Fixed Asset Additions are Recorded Timely**

**Type:** Internal Control

**Repeat:** Yes (first issued in fiscal year 2017)

**Prior Title:** Improve the Timeliness of Recording Fixed Asset Additions

Conservation and Recreation did not record 20 of 49 asset acquisitions timely in its asset tracking system. Agency staff recorded assets on an average of 207 days after the asset's acquisition date.

Conservation and Recreation's fixed asset accounting procedure and the Commonwealth Accounting Policies and Procedures Manual (CAPP Manual) Topic 30205 – Acquisition Method requires all assets, except in unusual circumstances, to be posted within 30 days after receipt and acceptance of the assets. Untimely and improper recording of fixed assets within the system, limits Conservation and Recreation's ability to account for and track the agency's assets.

Staffing changes, the COVID-19 pandemic, and a breakdown in communication between the various divisions responsible for acquiring and entering fixed assets caused Conservation and Recreation to record assets late. Conservation and Recreation is a decentralized agency, therefore, communication across divisions is critical to ensure staff records assets timely.

Management should ensure that all staff involved with acquiring and reporting fixed assets understand the importance of recording assets timely and understand the requirements of internal procedures and the CAPP Manual. Additionally, management should ensure that staff record asset additions within 30 days of receipt and acceptance as internal procedures and the CAPP Manual requires.

### **Ensure Sales and Use Tax Returns are Filed and Payments are Remitted Timely**

**Type:** Internal Control and Compliance

**Repeat:** No

Conservation and Recreation did not file monthly sales tax returns timely for six of 12 months, nor did they pay six of 12 sales tax payments timely. Agency staff filed six of the 12 sales tax returns timely; however, did not make sales tax payments until after the due date. The sales tax returns were between three and 125 days late and payments were between one and 127 days late.

Pursuant to Code of Virginia § 58.1-615 and § 58.1-616, Conservation and Recreation must file sales tax returns and remit the amount of tax due to the Virginia Department of Taxation by the 20th of the month following the close of the filing period. When staff file tax returns late, Conservation and Recreation is ineligible for discounts that allow them to keep a portion of the taxes due.

Staff vacancies, competing priorities, and the COVID-19 pandemic caused staff to file tax returns and submit tax payments late. Additionally, the current process does not allow sufficient time to process payments by the due date. There is a delay between voucher submission and payment processing when an agency uses the Commonwealth's accounting and financial reporting system's central payment processing.

Management should ensure agency staff file sales tax returns and make payments in accordance with the Code of Virginia. Additionally, management should work with agency staff to ensure all information is complete and entered into the Commonwealth's accounting and financial reporting system to allow adequate time for payment processing by the due date.

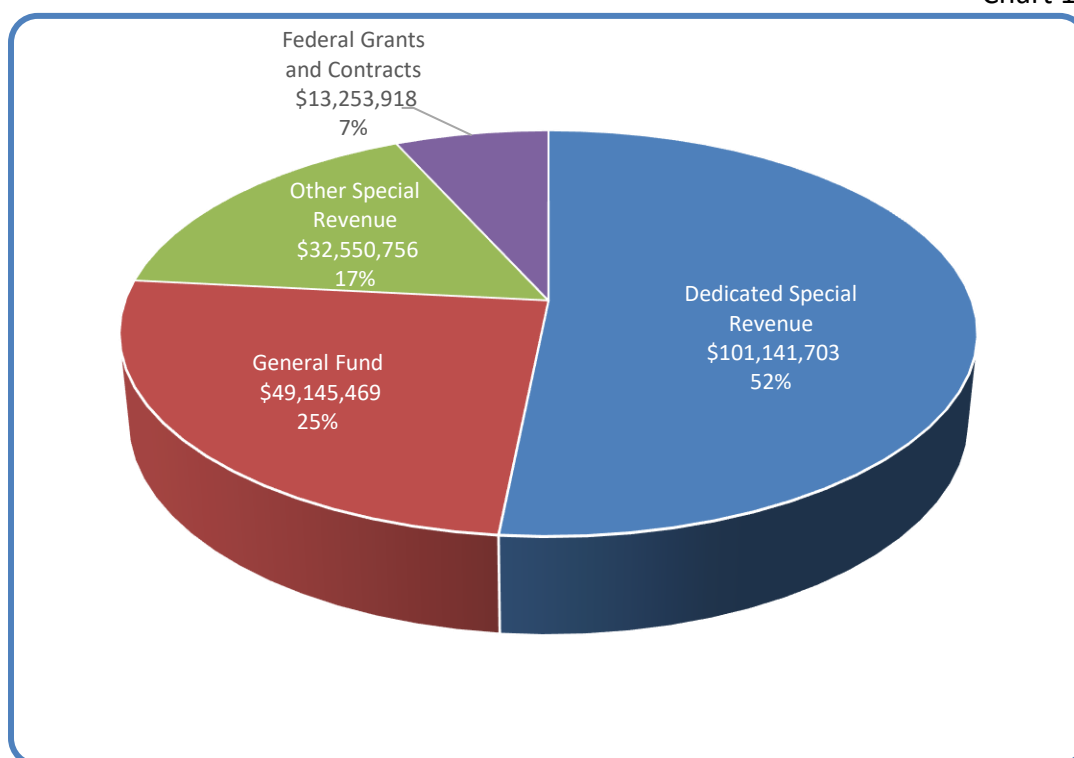
## AUDIT SCOPE OVERVIEW

Conservation and Recreation works to conserve, protect, and enhance state lands and improve the quality of the Chesapeake Bay and other watersheds; promotes stewardship and enjoyment of natural recreational resources; and ensures the safety of Virginia's dams. Various conservation programs are administered to achieve the agency's mission.

Conservation and Recreation has a variety of funding sources including General Fund appropriations, dedicated and other special revenues, and federal grants and contracts. Because the revenue cycle is significant to Conservation and Recreation's operations, we included year-end cash deposits, receipt of prepayments, and revenue refunds in our audit scope. Chart 1 below shows that dedicated special revenues account for \$101 million or 51 percent of the agency's funding. Approximately \$71 million of these funds are appropriations to the Virginia Natural Resource Commitment Fund (VNRCF), a sub-fund of the Water Quality Improvement Fund (WQIF). The VNRCF supports the implementation of agricultural best management practices. An additional \$10 million are appropriations to the Virginia Water Quality Improvement Fund. The WQIF is a permanent non-reverting fund, created to provide water quality improvement grants for point and non-point source pollution prevention.

**Conservation and Recreation Funding Sources  
Fiscal Year 2020**

Chart 1



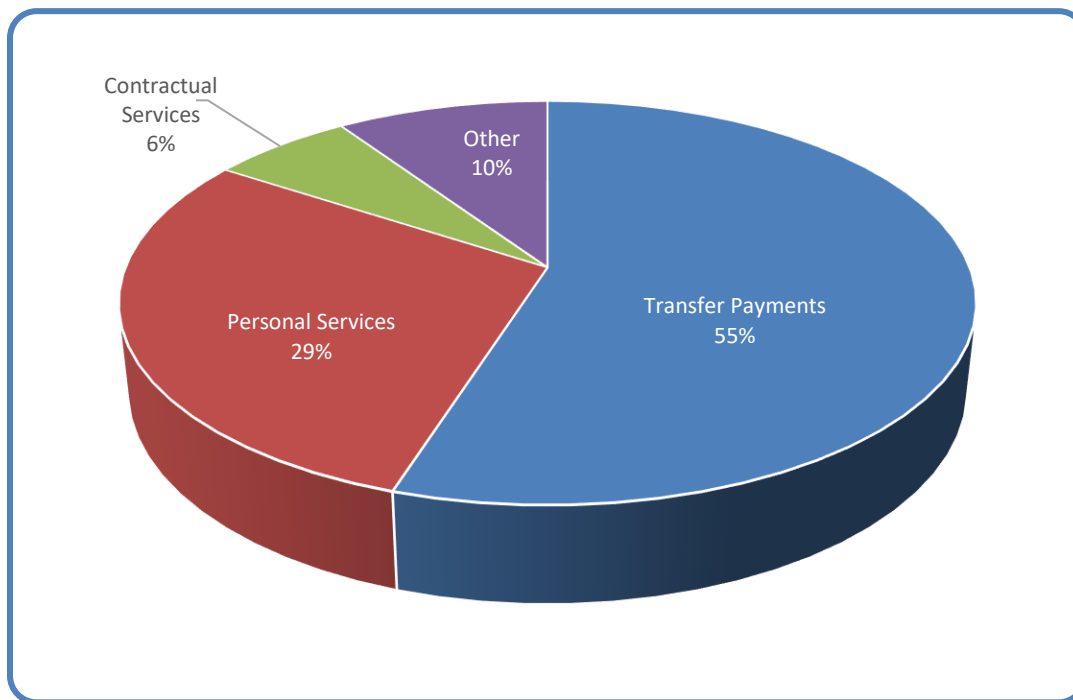
Source: Commonwealth accounting and financial reporting system

Chart 2 below shows that over half of Conservation and Recreation’s expenses were transfer payments made to localities and Virginia’s 47 soil and water conservation districts. Payments support water quality initiatives and local operational costs. Twenty-nine percent of the expenses were for personal services that include employee salaries and benefits. The remaining expenses were for contractual services, supplies and materials, and other miscellaneous expenses. Transfer payments, sales and use tax remittances, and account payables were included in our audit scope.

We also tested system access controls, financial system reconciliations, and financial reporting for capital projects. In addition, we performed follow-up on a prior year audit finding related to capital assets as part of our audit scope.

**Conservation and Recreation Expense Summary  
Fiscal Year 2020**

Chart 2



Source: Commonwealth accounting and financial reporting system



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

August 2, 2021

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Kenneth R. Plum  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the **Department of Conservation and Recreation's** (Conservation and Recreation) internal controls and compliance over expenses, including transfer payments, sales and use tax remittances, and accounts payable; revenue, including year-end cash deposits, receipt of prepayments, and revenue refunds; system access controls; financial system reconciliations; and financial reporting for capital projects for the fiscal year ended June 30, 2020. 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 with regard to expenses, revenue, system access controls, financial system reconciliations, and financial reporting for capital projects were to evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system and the agency's financial system; review the adequacy of Conservation and Recreation's internal controls; and test compliance with applicable laws, regulations, contracts, and grant agreements. We also reviewed corrective action for a select audit finding from the prior year report. We did not review corrective action with respect to a prior year audit finding identified as deferred in the [Findings Summary](#) in the Appendix. We will follow up on this finding in a future audit. See the [Findings Summary](#) for a listing of prior year findings and the status of follow-up on management's corrective action.



## **Audit Methodology**

Conservation and Recreation'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 relate 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 Conservation and Recreation'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, regulations, contracts, and grant agreements as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Conservation and Recreation's operations. We performed analytical procedures, including budgetary and trend analyses. We also 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 found that Conservation and Recreation properly stated, in all material respects, transactions recorded and reported in the Commonwealth's accounting and financial reporting system and the agency's financial system, relating to the audit objectives.

We noted certain matters pertaining to capital assets and sales and use tax remittances, involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management's attention and corrective action. Both matters are described in the section titled "Audit Findings and Recommendations." The prior year finding included in the scope of the audit where corrective action is still ongoing is listed as repeat in the Findings Summary and included in the section titled "Audit Findings and Recommendations."

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

We provided management with a copy of this report on September 17, 2021. 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 citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

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## FINDINGS SUMMARY

Finding	Follow-Up Status	Year(s) Issued
Ensure Fixed Asset Additions are Recorded Timely	Repeat*	2017, 2020
Ensure Sales and Use Tax Returns are Filed and Payments are Remitted Timely	New	2020
Improve Property Asset Tagging	Deferred**	2017

\*Follow-up Status on prior year finding identified as “Repeat” indicates sufficient corrective action on a prior recommendation is not complete; therefore, the prior year finding has been fully or partially repeated.

\*\*Follow-up Status on prior year finding identified as “Deferred” indicates review of management’s corrective action on a prior year finding will be performed in a future audit.

Matthew J. Strickler  
*Secretary of Natural and Historic  
Resources and Chief Resilience Officer*

Clyde E. Cristman  
*Director*



Rochelle Altholz  
*Deputy Director of  
Administration and Finance*

Nathan Burrell  
*Deputy Director of  
Government and Community Relations*

Darryl M. Glover  
*Deputy Director of  
Dam Safety & Floodplain Management  
and Soil & Water Conservation*

Thomas L. Smith  
*Deputy Director of  
Operations*

**COMMONWEALTH of VIRGINIA**  
**DEPARTMENT OF CONSERVATION AND RECREATION**

September 17, 2021

Ms. Staci A. Henshaw, CPA  
The Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Henshaw:

The Department of Conservation and Recreation (DCR) appreciates the opportunity to respond to the Auditor of Public Accounts (APA) report on the performance of the agency during fiscal year 2020. This report provides further proof that DCR has taken major strides forward regarding our fiscal responsibilities to the taxpayers of Virginia.

The DCR concurs with the two (2) findings contained in the report and has already implemented corrective actions as detailed below.

**Ensure Fixed Asset Additions are Recorded Timely**

The DCR has already implemented a new process to correct the issue of timely recording real property acquisitions whereby our Fixed Asset Accountant is now notified via email of land acquisitions when the purchase is executed ensuring the timely recording of such assets.

**Ensure Sales and Use Tax Returns are Filed and Payments are Remitted Timely**

As the report correctly states, this issue was the result of staff vacancies and the COVID-19 pandemic. At this time, the agency has filled the position responsible for calculating and submitting sales tax to the Department of Taxation and the process is being done in a timely manner.

I would personally like to state our appreciation for the level of professionalism and guidance provided by you and your staff throughout this engagement.

Please contact me should you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink that reads "Clyde E. Cristman".

Clyde Cristman  
DCR Director

600 East Main Street, 24<sup>th</sup> Floor | Richmond, Virginia 23219 | 804-786-6124

*State Parks • Soil and Water Conservation • Outdoor Recreation Planning  
Natural Heritage • Dam Safety and Floodplain Management • Land Conservation*

## DEPARTMENT OF CONSERVATION AND RECREATION

As of June 30, 2020

Director  
Clyde Cristman

Deputy Director of Administration and Finance  
Rochelle Altholz

Deputy Director of Operations  
Thomas Smith

Deputy Director of Soil and Water Conservations and  
Dam Safety and Floodplain Management  
Russ Baxter

Comptroller  
Sharon Partee

Procurement Director  
Chris Cole

Internal Auditor  
Eric Surratt