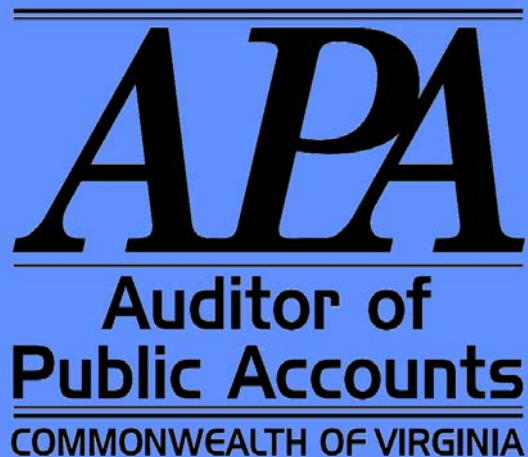


**DEPARTMENT OF GAME AND INLAND FISHERIES**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2011**



## **AUDIT SUMMARY**

Our audit of the Department of Game and Inland Fisheries for the period July 1, 2010 through June 30, 2011 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.

### **Improve Timeliness and Accuracy of Revenue Recordation and Transfers to Taxation**

The Department of Game and Inland Fisheries did not properly record revenues for boat registration and titling and watercraft sales tax in the Commonwealth Accounting and Reporting System and DGIF's Comprehensive Financial Information and Reporting System at the end of fiscal years 2011 and 2012. In addition, DGIF did not transfer the watercraft sales tax to the Department of Taxation timely or completely and has consistently failed to do so for at least the past three fiscal years. For fiscal years 2010, 2011, and 2012, the revenues DGIF collected exceeded the revenues transferred by the following amounts, respectively: \$503,412, \$195,594, and \$485,760, resulting in DGIF building a cash balance of \$1.6 million in watercraft sales tax as of June 30, 2012.

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## **AUDIT FINDINGS AND RECOMMENDATIONS**

### **Improve Timeliness and Accuracy of Revenue Recordation and Transfers to Taxation**

The Department of Game and Inland Fisheries (DGIF) did not properly record revenues for boat registration and titling and watercraft sales tax in the Commonwealth Accounting and Reporting System (CARS) and DGIF's Comprehensive Financial Information and Reporting System (CFIRS) at the end of fiscal years 2011 and 2012. In addition, DGIF did not transfer the watercraft sales tax to the Department of Taxation timely or completely and has consistently failed to do so for at least the past three fiscal years, resulting in DGIF building a cash balance of \$1.6 million in watercraft sales tax as of June 30, 2012.

#### **Recording Revenue**

DGIF receives boat registration and titling fees and watercraft sales taxes monthly through the mail. DGIF deposits the revenues and records them in a revenue clearing account until month end when they process a transaction to transfer the funds to the correct revenue account. Monthly and at fiscal year-end, and before CARS closes, DGIF should re-distribute the revenues in the clearing account to the proper revenue account. A portion of these funds are watercraft sales tax that DGIF should transfer to Taxation each month for the preceding month.

At the end of fiscal year 2011, DGIF did not re-distribute \$527,186 in revenues to the appropriate revenue accounts. DGIF attempted to redistribute \$456,789 of this revenue in fiscal year 2012; however, they improperly recorded the transactions in the revenue clearing account instead of reducing fund balance. At year end, the Department of Accounts closes all revenues (and expenses) to fund balance in CARS. Therefore agencies cannot make changes to these revenues and expenses, but can only make adjustments to fund balance. DGIF has also not made the proper allocation of revenue at the end of fiscal year 2012.

#### **Transfers of Collections**

DGIF has not transferred all watercraft sales tax received to Taxation. For fiscal years 2010, 2011, and 2012, the revenues received have exceeded the revenues transferred by the following amounts, respectively: \$503,412, \$195,594, and \$485,760.

#### **Finding and Recommendations**

During fiscal years 2011 and 2012, DGIF experienced significant understaffing in the Finance area due to high turnover of experienced staff and a lack of documented accounting procedures for a number of transaction processing areas. This turnover and lack of documented policies and procedures contributed to the errors noted above.

DGIF should immediately transfer the \$1.6 million in watercraft sales tax to Taxation. DGIF should review boating revenues recorded in CARS and CFIRS and determine what adjustments they should make to ensure proper reporting of revenues. DGIF should continue to develop policies and procedures for all areas as recommended last year.

### **Improve Internal Controls and Compliance over IT Systems Security Program**

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

- *Business Impact Analysis:* DGIF still does not include the Recovery Point Objective for each function, as required by ITRM Standards. The identification of these is necessary to properly assess risk.
- *Security Awareness Training Program:* While DGIF has improved its general security awareness training program, DGIF still 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. For instance, DGIF needs to provide role-based training to the continuity of operations team that covers additional information security responsibilities incumbent on these positions.
- *Disaster Recovery Plan (DRP):* DGIF does not routinely test and verify recovery plans for its sensitive data. Without a standard process to evaluate the outcomes of its disaster recovery tests, DGIF cannot determine whether it is adequately prepared for potential disruption or disaster. The Commonwealth's information security standard, SEC 501-06, requires agencies to document DRP tests, their outcomes, and any recommendations. This documentation is instrumental for an agency to determine if any changes are necessary to ensure successful and continuous agency operation.

DGIF 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. DGIF's management should dedicate the necessary resources to 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. Finally, we recommend DGIF routinely test and document their DRP, as well as hold a "post-mortem" that includes the results of the test and any recommendations to improve its contingency plans.

#### Perform CARS Reconciliations Timely

DGIF did not perform any reconciliations during fiscal year 2011. However, once requested, DGIF correctly completed reconciliations for the entire fiscal year 2011 by the end of the fiscal year 2012, finding no material differences requiring adjustment. Reconciliations compare internal system information with summary information in CARS; therefore, DGIF must ensure accuracy of all of its financial activity in CARS. These reconciliations are the key to ensuring that information uploaded to CARS is complete by identifying, explaining, and adjusting, as necessary, all material differences between CARS and CFIRS. DGIF must certify monthly and at year-end that CARS data is accurate. DGIF is not identifying, explaining, and adjusting those significant differences between amounts reported in CFIRS and CARS before certifying this information to the Department of Accounts.

The State Comptroller requires that agencies reconcile CARS information to internal systems and certify monthly and at year-end that all CARS data is correct. DGIF cannot certify that the data is correct until they explain any material differences between systems.

DGIF should properly perform reconciliations each month, including explaining and adjusting differences as needed, and retain all necessary support to substantiate that they are performing these monthly and year-end reconciliations timely.

### Improve Internal Controls over System Access

DGIF does not maintain documentation of the original approval of system access, which includes the type of access requested. DGIF also does not perform periodic reviews of system access to ensure that access remains appropriate over time as employees come and go and change positions and responsibilities.

### eVA

In eVA, we found one employee with access for eight years after their separation from DGIF. However, DGIF has set up controls in eVA to reduce the risk of inappropriate purchases through eVA by terminated employees. 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 DGIF's critical information. DGIF does not review system access on a regular basis but only at the request of employees' supervisors or upper management.

### Agency Information Management System (AIMS) and Comprehensive Financial Information and Reporting System (CFIRS)

DGIF could not provide Network Access forms for eight of 24 new AIMS users and three of eight new CFIRS users. To obtain access to any DGIF system, DGIF's policies and procedures require a Network Access form. Network Access forms provide approval and delineate the type of access requested.

The Commonwealth Security Standards SEC 501 Section 5.2.2 requires that requests for access to internal and external agency IT systems are documented and kept on file, that agencies remove access promptly when no longer required, that it be based on the employee's need to fulfill their job responsibilities, and that all user accounts and privileges associated with these accounts be reviewed for the continued need to access agency IT systems.

DGIF should review its processes for granting, deleting, and reviewing access to ensure that individuals responsible for granting access keep all documents for these actions on file, and those responsible for deleting access do so promptly after an employee's termination. DGIF should also periodically review all employees' access to any system to ensure that access is appropriate, reflects proper segregation of duty, and considers the employee's need for access to fulfill their job function.

## AGENCY HIGHLIGHTS

The Department of Game and Inland Fisheries (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 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. DGIF 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, DGIF employs about 440 full and part-time staff and owns approximately 203,000 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. DGIF owns and maintains 39 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 DGIF's original and adjusted budgets, as well as their actual expenses by program for fiscal year 2011. The Wildlife and Freshwater Fisheries Management program makes up the majority (65 percent) of DGIF's actual expenditures. Capital Outlay Projects budget includes funding for the relocation of DGIF's headquarters and new wildlife management area acquisitions.

**Table 1**

Analysis of Budgeted Funding and Actual Expenses – Fiscal Year 2011

Program	Original Budget	Final Budget	Actual Expenses
Wildlife and freshwater fisheries management	\$40,581,585	\$40,581,585	\$40,137,401
Boating and safety regulation	6,688,308	7,151,244	3,872,814
Administrative and support services	6,203,483	6,260,983	5,432,751
Capital outlay projects	-	33,170,277	12,039,549
Total	<u>\$53,473,376</u>	<u>\$87,164,089</u>	<u>\$61,482,515</u>

Source: Commonwealth Accounting and Reporting System;  
2011 Original Budget-Appropriation Act, Chapter 890

DGIF 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, DGIF 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 \$10,635,320 million annually. These sales and use taxes provided DGIF with \$10.6 million in fiscal year 2011.

DGIF also indirectly receives General Fund revenue collections from sales and use taxes on new watercraft sales; the Appropriations Act limited DGIF's share of these taxes to \$3 million in fiscal year 2011. These sales and use taxes provided DGIF with \$3 million in fiscal year 2011. 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 and Inland Fisheries Board (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 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 DGIF'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 DGIF's revenue and transfers from the General Fund.

**Table 2**

Details of DGIF's Actual Revenue and General Fund Transfers  
Fiscal Year 2011

<u>Source</u>	<u>2011</u>
Hunting and fishing licenses	\$22,656,966
Net transfers to the Game Protection Fund from	
General Fund sources	13,635,320
Federal grants and contracts	20,246,354
Other, including insurance proceeds, timber sales, publication sales	2,993,928
Boat licenses and watercraft titling fees	<u>3,439,774</u>
Total net revenue	<u>\$62,972,342</u>

*Source: Commonwealth Accounting and Reporting System*

Table 3 below details DGIF's actual expenses by major object. In fiscal year 2011, personal services accounted for the majority of DGIF's expenses at 52 percent. Contractual services, at about 14 percent, include expenses for communication, repair and maintenance, support, and technical services. In fiscal year 2011, property and improvements expenses increased significantly to \$10.4 million from \$3.4 million in 2010 due to several land acquisitions including the Florida Tract Wildlife Management Area.

DGIF's capital outlay expenses of \$12 million include about \$9.3 million for land acquisition projects. Additionally, DGIF spent the remaining \$2.7 million for general maintenance, dam safety compliance, and boating access.



**Table 3**

Expenses by Major Object - Fiscal Year 2011

Major Object	2011 Expenses	2011 Percent
Personal services	\$31,857,088	51.81%
Property and improvements	10,462,373	17.02%
Contractual services	8,684,628	14.13%
Supplies and materials	4,814,335	7.83%
Equipment	3,270,272	5.32%
Continuous charges	1,626,402	2.64%
Plant and improvements	560,002	0.91%
Transfer payments	<u>207,415</u>	<u>0.34%</u>
Total expenses	\$61,482,515	100.00%
Less: capital outlay included above	<u>12,039,549</u>	
Total operating expenses	<u>\$49,442,966</u>	

*Source: Commonwealth Accounting and Reporting System*

New DGIF Headquarters

In fiscal year 2009, the Board approved the relocation of the DGIF Headquarters from Richmond to Hanover County. DGIF is currently operating under an Interim Agreement with the developer and has acquired several pieces of property in order to carry out the relocation. DGIF has approved schematics for the new headquarters. DGIF plans to have a signed comprehensive agreement in place by August 2012 with construction estimated to last 18 months. DGIF expects to be in its new headquarters by fiscal year 2014.

Funding Future Operations

Based on DGIF's current revenue and expense projections, DGIF's revenues appear sufficient to cover its operating expenses at least through fiscal year 2015. DGIF's operations are highly dependent on receiving a portion of the General Fund's sales and use taxes. However, in prior years, DGIF's fees for licenses as well as the federal grants they received were not sufficient to sustain current operations, excluding any capital outlay. In response to this, in fiscal year 2011, the Board increased several license fees resulting in an increase of approximately 28 percent overall to accommodate current operations.

These fee increases to help offset the nationwide decline in fishing and hunting licenses sold. During fiscal year 2011, DGIF saw a decrease in licenses sold of three percent from fiscal year 2010 and a decrease of less than one percent in license revenues from fiscal year 2010. DGIF expected this decrease since the national trend for increased fees usually mean an initial decrease in licenses sold. However, the first three quarters of fiscal year 2012 show license revenues increased by \$2 million compared to the same period in fiscal year 2011. As license unit sales return to normal, DGIF expects revenue to continue to increase and sustain operations through fiscal year 2015, when DGIF will review and update its revenue projections unless it becomes necessary for DGIF to do so sooner.



# Commonwealth of Virginia

## *Auditor of Public Accounts*

Walter J. Kucharski  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

August 3, 2012

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Department of Game and Inland Fisheries (DGIF)** for the year ended June 30, 2011. 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 DGIF'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

DGIF'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 System Security  
Agency Forecasting

We performed audit tests to determine whether DGIF'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 DGIF's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that DGIF properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. DGIF 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."

DGIF 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 August 14, 2012. 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



**Douglas W. Domenech**  
*Secretary of Natural Resources*

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

**Robert W. Duncan**  
*Executive Director*

August 27, 2012

Walter J. Kucharski  
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 financial transactions for the FY 2011 period. We appreciate the opportunity to have your staff bring to our attention some areas of improvement. While we are pleased with the progress our team has made to date we recognize that we can continue to improve our processes.

In review of your audit of our agency's FY 2011 fiscal operations we agree that our staffing levels have not enabled us to continue the strong accountability we have maintained in the past several years. A goal that we continue to strive for with our current staff, and a goal I am certain we will achieve once again. We look forward to working with your staff and our internal auditor to promptly address these recommendations.

On a personal note, I just want to express our appreciation for the level of professionalism your staff exhibited during their engagement and we welcome them back next year to see our progress.

Sincerely,

A handwritten signature in blue ink that reads "Bob Duncan".

Robert W. Duncan  
Executive Director

C: C. Colgate, Chairman, BGIF - 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, 2011

James B. Clarke, III, Chairman

F. Scott Reed, Jr., Vice Chairman

Ward Burton	Randy J. Kozuch
Lisa Caruso	John W. Montgomery
Curtis Dixon Colgate	Mary Louise Pollard
James W. Hazel	Leon Turner
Charles S. Yates	

DIRECTOR

Robert W. Duncan