A Report
to the
Montana
Legislature

Financial-Compliance Audit

Department of Fish, Wildlife & Parks

For the Two Fiscal Years Ended June 30, 2017

March 2018

Legislative Audit
Division

17-18

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§5-13-202(2), MCA

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Financial-Compliance Audits

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by Government Auditing Standards. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2015, was issued March 29, 2016. The Single Audit Report for the two fiscal years ended June 30, 2017, will be issued by March 31, 2018.

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March 2018

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Fish, Wildlife & Parks for the two fiscal years ended June 30, 2017. Included in this report are four recommendations related to cash collections at state parks, compliance with federal regulations for the Recreational Trails Program, and disclosing the costs of public documents.

The department's written response to the audit recommendations is included in the audit report at page C-1. We thank the director and her staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Appointed and Administrative Officials

			Term Expires
Montana Fish & Wildlife Commission	Dan Vermillion, Chair	Livingston	2019
	Richard Stuker, Vice Chair	Chinook	2021
	Tim Aldrich	Missoula	2021
	Logan Brower	Scobey	2019
	Shane Colton	Billings	2021
Montana State Parks & Recreation Board	Angie Grove, Chair	Helena	2021
	Scott Brown	Billings	2019
	Mary Sheehy Moe	Great Falls	2019
	Jeff Welch	Livingston	2021
	Betty Stone	Glasgow	2021

Administrative Officials

Martha Williams, Director

Paul Sihler, Chief of Staff

Mike Volesky, Chief of Operations

Dustin Temple, Chief of Administration

Ken McDonald, Administrator, Wildlife Division

Eileen Ryce, Administrator, Fisheries Division

Dave Loewen, Administrator, Enforcement Division

Beth Shumate, Administrator, Parks Division

Greg Lemon, Administrator, Communication and Education Division

Jessica Plunkett, Administrator, Technology Services Division

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Montana Legislative Audit Division

Financial-Compliance Audit
Department of Fish, Wildlife & Parks
For the Two Fiscal Years Ended June 30, 2017

March 2018 17-18 Report Summary

The Department of Fish, Wildlife & Parks controls 335 fishing access sites; issues hunting and fishing licenses; and oversees fish and wildlife preservation programs, enforcement activities, land management, and community education programs. The department is also responsible for 55 state parks spanning the state from Brush Lake near Dagmar to Painted Rocks near Darby. During fiscal years 2016 and 2017, state parks generated revenue of approximately $4.2 million in each fiscal year; however, during our audit we determined the department does not have adequate internal controls over the portion of this revenue collected at the parks.

Context

The five-member Fish & Wildlife Commission sets fish and wildlife regulations, approves property acquisitions, and approves certain rules and activities of the Department of Fish, Wildlife & Parks (department) as provided by statute. Commission members are appointed by the Governor and confirmed by the Senate. Similarly, there is a five-member Montana State Parks and Recreation Board that sets park regulations, approves property transactions, and endorses other rules and activities provided by statute. Board members are appointed by the Governor and confirmed by the Senate. There are seven regional offices throughout the state. The department is headquartered in Helena.

The main sources of funding for department activities are license sales and federal awards. The department collected approximately $57 million in fiscal year 2016, and through increased prices and number sold, approximately $63 million in fiscal year 2017 through issuance of licenses. In the 2016 license year the department issued the following licenses:

- Resident Fishing – 194,795
- Nonresident Fishing – 191,993
- Resident Hunting – 396,047
- Nonresident Hunting – 27,252
- Resident Hunting Combo – 60,804
- Nonresident Hunting Combo – 30,634

In addition to license issuance, the department administers several federal programs, including the Sportfish and Wildlife Restoration programs. Federal revenues were approximately $47 million in fiscal year 2017 and $37 million in fiscal year 2016.

Results

We audited the fiscal year 2016 and 2017 financial schedules. Throughout the audit we tested compliance with laws related to the operations of the department, including the upland game bird enhancement program, shooting range development, registration and use of snowmobiles, alternative livestock ranches, and the rule making of the Fish & Wildlife Commission. For selected licenses, we performed testing to gain assurance that the license fees charged and subsequent allocations of funds were in accordance with state law. We also tested compliance with federal regulations related to the Recreational Trails Program, expenditures related to personal services and operating

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expenses, and license and permits revenues. We visited selected state parks to gain an understanding of day-to-day operations and to test compliance with state laws. We also followed up on reported hotline calls for the department.

Our audit resulted in four recommendations to the department related to the lack of internal controls and noncompliance with state law for cash collections at state parks; noncompliance with federal regulations related to subrecipient monitoring and cash management for the Recreational Trails Program; noncompliance with state law for allowing cash in its federal funds to remain negative for longer than allowed; and noncompliance with state law due to not disclosing the costs of public documents.

Recommendation Concurrence	
Concur	4
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.

For a complete copy of the report (17-18) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to **lad@mt.gov**; or check the web site at **http://leg.mt.gov/audit**
Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE
Call toll-free 1-800-222-4446, or e-mail **lad@mt.gov.**

Chapter I – Introduction

Audit Scope

We performed a financial-compliance audit of the Department of Fish, Wildlife & Parks (department) for the two fiscal years ended June 30, 2017. The objectives of the audit were to:

1. Determine whether the department's financial schedules present fairly its results of operations and changes in fund equity for each of the two fiscal years ended June 30, 2017, and 2016.
2. Obtain an understanding of the department's internal control structures to the extent necessary to support the audit of its financial schedules and, where necessary, make recommendations for improvement in the department's management and internal controls.
3. Determine the department's compliance with selected, applicable laws and regulations.

Throughout the audit we tested compliance with laws related to the operations of the department, which included but was not limited to: the upland game bird enhancement program, shooting range development, registration and use of snowmobiles, alternative livestock ranches, and the rule making of the Fish & Wildlife Commission. For selected licenses, we performed testing to gain assurance that the license fees charged and subsequent allocations of funds were in accordance with state law. We also tested compliance with federal regulations related to the Recreational Trails Program, expenditures related to personal services and operating expenses, and licenses and permits revenues. We visited selected state parks to gain an understanding of day-to-day operations and to test compliance with state laws. We also followed up on reported hotline calls for the department.

Internal Service Funds

Section 17-8-101(6), MCA, provides that the legislative auditor, during regularly scheduled audits of state agencies, shall audit and report on the reasonableness of internal service fund type fees and charges and on the fund equity balances. In accordance with this section, we reviewed the fees charged and the fund equity of the department's internal service funds. During the audit period, the department's internal service funds included the duplicating center, equipment enterprise, DFWP aircraft, and F&G warehouse inventory.

In order to determine if the fees charged were commensurate with the costs for operating the service in each fund, we calculated the difference between the revenues and expenditures recorded and the amount of working capital in each fund. In

determining if the fund equity balance was reasonable for each fund, we considered the amount of working capital as well as the fiscal year-end fund equity balances and trends for each fund. We adjusted our calculations for noncash items related to pension, other post-employment benefits, and equipment. State policy defines working capital as the amount of cash that would remain if all of the current assets were converted to cash and all of the current liabilities were paid, at their book value. State policy and federal guidelines allow funds a 60-day working capital reserve in order to maintain operations.

Based on our review, we found the following, for each fund:

- **Duplicating Center** – This fund is used to account for the revenues and expenditures for the department owned duplicating center. The fees charged were commensurate with costs and the fund equity balance in this fund was reasonable for each of the two fiscal years ended June 30, 2017, and 2016.
- **DFWP Aircraft** – This fund is used to account for the revenues and expenditures for the department-owned aircraft fleet. The fleet consists of five aircraft used for department operations. The fees charged were commensurate with costs and the fund equity balance in this fund was reasonable for each of the two fiscal years ended June 30, 2017, and 2016.
- **Equipment Enterprise** – This fund is used to account for the revenues and expenditures for the department-owned vehicle fleet. The vehicle fleet consists of approximately 650 cars, trucks, and vans used by staff for department operations. We determined the fees charged were not commensurate with costs and the fund equity balances in this fund were not reasonable for each of the two fiscal years ended June 30, 2017, and 2016. The revenues exceeded expenditures in this fund by approximately $830,000 in fiscal year 2016, and $175,000 in fiscal year 2017. The fund had working capital in excess of the 60 days allowed of approximately $1,000,000 and $350,000 at the end of fiscal years 2016 and 2017, respectively. This equates to an additional 145 days of working capital at the end of fiscal year 2016, and 45 days at the end of fiscal year 2017. Additionally, adjusted ending fund equity had a balance of approximately $1,500,000 and $800,000 at the end of fiscal years 2016 and 2017, respectively.

  The rates for this fund are set by the legislature in House Bill 2. However, the rates set in this bill are the maximum rates allowed for the fund and the department is allowed to charge fees at rates less than those set in the bill. The department charged rates less than those set in the house bill during fiscal years 2016 and 2017, and further reduced the rates in April 2017.
- **F&G Warehouse Inventory** – This fund is used to account for the revenues and expenditures for the department-owned warehouse. The warehouse inventory consists of official uniform items worn by department staff. The overhead rate of 25 percent for this fund is set by the legislature in House Bill 2. The merchandise items purchased by this fund and then resold to the

various other functions of the department are charged at the original cost plus the overhead rate. The additional amount collected through charging the overhead rate is used to fund the warehouse operations.

At the end of fiscal year 2016, the revenues exceeded expenditures in this fund by approximately $20,000 and the working capital was in excess of the 60 days allowed of approximately $30,000, which equates to an additional 71 days of working capital. At the end of fiscal year 2017, the expenditures exceeded revenues in this fund by approximately $10,000 and the working capital was excess of the 60 days allowed of approximately $2,000, which equates to an additional 6 days of working capital. Additionally, adjusted ending fund equity had a balance of approximately $142,500 and $130,000 at the end of fiscal years 2016 and 2017, respectively.

Even though the revenues and expenditures were not equal and the working capital exceeded the allowed amount in fiscal years 2016 and 2017, we determined the fees were commensurate with costs for each of the two fiscal years ended June 30, 2017, and 2016. This is because the demand for the uniform inventory in this fund depends on the needs of existing employees and new hires. As such, the uniform inventory may or may not turn over and thus convert to cash within a year. However, we determined the fund equity balances in this fund were not reasonable for each of the two fiscal years ended June 30, 2017, and 2016. While the fund equity balance is primarily the result of the uniform inventory in the fund, the uniform inventory balance grew by approximately $22,000 between fiscal years 2016 and 2017. The growing uniform inventory balance combined with the excess working capital amounts in the fund contributed to fund equity in excess of what is necessary for the fund's current operations. As with the equipment fund discussed above, the overhead rate in the house bill is the maximum rate the department is allowed to charge and the department charged a lower rate, 24 percent, during fiscal years 2016 and 2017.

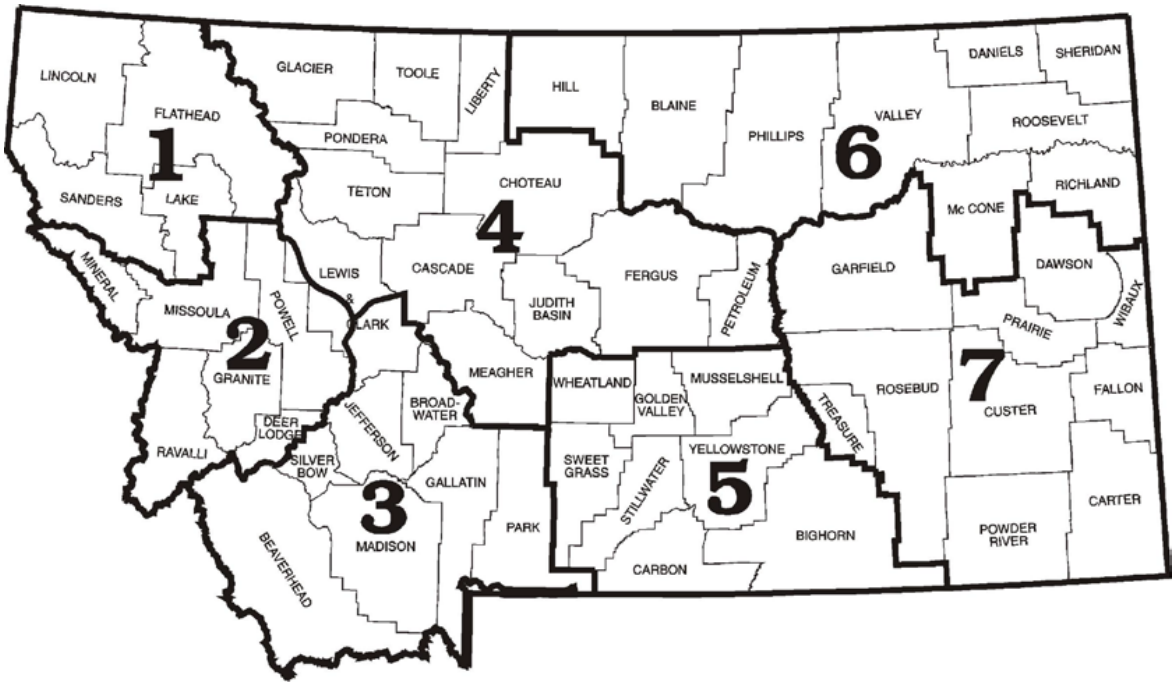
During the analysis discussed above, we reviewed what monitoring occurred and adjustments the department made to the fees charged for each internal service fund during the audit period. As our analysis determined the department is actively managing its internal service funds, we make no further recommendation at this time.

Background

The department's mission is to provide for the stewardship of the fish, wildlife, parks, and recreational resources of Montana while contributing to the quality of life for present and future generations.

The department's headquarters are located in Helena. The department maintains seven regional offices located in Kalispell, Missoula, Bozeman, Billings, Great Falls, Glasgow, and Miles City. Figure 1 outlines the seven regions. There are also five area offices located in Libby, Havre, Lewistown, Butte, and Helena. A regional supervisor oversees the Fish and Wildlife programs. Additionally, there are five regional park managers who oversee the Parks program throughout the state.

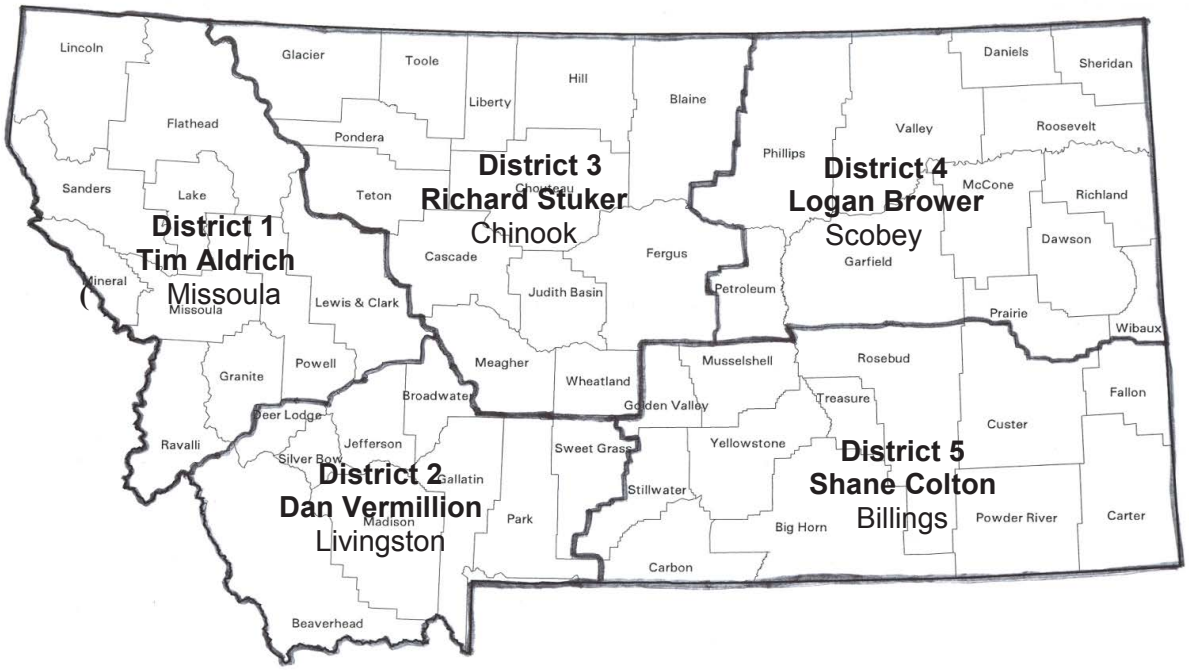
Figure 1
FWP Regions Map



Source: Compiled by the Department of Fish, Wildlife & Parks.

The five-member Fish & Wildlife Commission sets fish and wildlife regulations, approves property acquisitions, and approves certain rules and activities of the department as provided by statute. Commission members are appointed by the Governor and confirmed by the Senate. Statute requires representation from five geographical areas of the state, illustrated in the figure below.

Figure 2
Fish and Wildlife Commission Districts Map

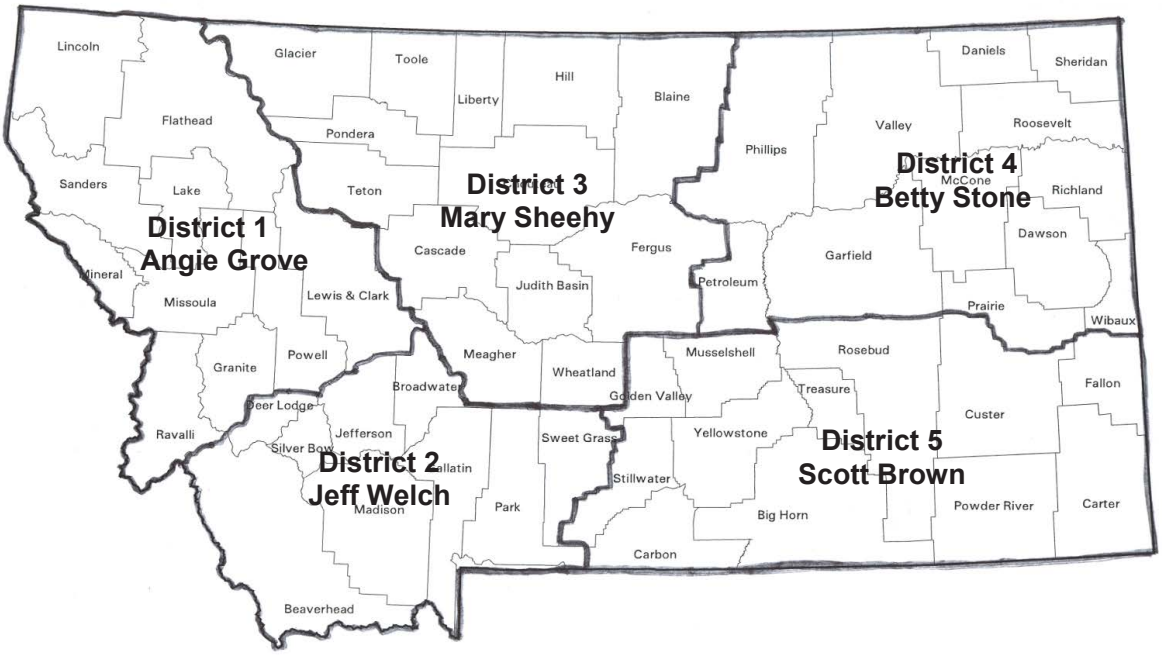


Source: Compiled by the Department of Fish, Wildlife & Parks.

User fees, such as hunting and fishing licenses and state park use fees, are the department's primary sources of funding. The department also receives federal funds to aid in fish and wildlife restoration efforts, parks development and maintenance, boating safety, education and regulation, and other programs.

Similarly, there is a five-member Montana State Parks and Recreation Board (board) representing five regions, as outlined in Figure 3, whose members are appointed by the Governor and confirmed by the Senate. The board sets park regulations, approves property transactions, and endorses other rules and activities provided by statute. The primary funding sources for Montana State Parks are a portion of the accommodations tax, coal tax trust interest, light vehicle registration fees, motorboat fuel tax, and other miscellaneous revenues generated from park fees.

Figure 3
Montana State Parks and Recreation Board Districts Map



Source: Compiled by the Department of Fish, Wildlife & Parks.

The department was authorized 700 full time equivalent (FTE) positions in fiscal year 2017, allocated to programs as noted below. The following paragraphs outline the department organization as reflected in program expenditures on the Schedule of Total Expenditures & Transfers-Out on page A-7.

Administration (79 FTE) manages the administration branch of the department. This branch is responsible for providing consistent, quality direction to the divisions and regions throughout the agency. The functions are centralized to provide services including accounting, information technology, fiscal management and budget preparation, procurement and property management, management of federal aid, maintenance of internal control procedures, sale of hunting, fishing and other

recreational licenses, and maintenance of biological and geographical information systems applications.

Capital Outlay (no assigned FTE) accounts for major repair and maintenance of the department's properties, renovation and construction of facilities, and protection and enhancement of critical habitats through land and conservation easement purchases.

Communication and Education Division (27 FTE) is responsible for public relation functions of the department, including film production and publication and distribution of the *Montana Outdoors* magazine. The division also informs the public about fish and wildlife laws, administrative rules, and policies designed to regulate outdoor recreational activities.

Department Management (78 FTE) provides oversight of the Wildlife, Enforcement, Communication and Education, Fisheries, and Parks Divisions, as well as the seven regional offices that are responsible for program implementation. The division also includes a Design and Construction Bureau which oversees capital construction, a Strategic Planning Section to support division-wide planning needs, and the Lands Section which manages department real estate issues.

Enforcement Division (117 FTE) is responsible for enforcing laws and regulations regarding fish, wildlife, and parks; public education; and enhancing relationships with landowners, recreational users, and the general public.

Fisheries Division (180 FTE) is responsible for preserving and perpetuating all aquatic species and their ecosystems, and for meeting public demand for fishing opportunities and aquatic wildlife stewardship, and managing the fishing access site program.

Parks Division (83 FTE) is responsible for conserving the scenic, historic, archaeological, scientific, and recreational resources of certain state-owned properties, including 55 state parks, and providing for their use and enjoyment.

Wildlife Division (136 FTE) is responsible for the department's statewide wildlife management program, which enhances the use of Montana's renewable wildlife resources for public benefit. The goals of the division are to protect, regulate, and perpetuate wildlife populations with habitat management and regulated harvest, maintain and enhance wildlife habitat, and provide wildlife recreational opportunities to the public.

The prior audit resulted in no recommendations to the department.

Chapter II – Findings and Recommendations

State Parks Deposits

The department does not have adequate internal controls over the cash and checks collections at state parks to ensure compliance with state policy and law.

The Department of Fish, Wildlife & Parks (department) operates 55 state parks around the state. During fiscal years 2016 and 2017, state parks generated revenue of approximately $4.2 million in each fiscal year. Each park collects payments for visitation and camping fees either via staff located at the park or locked drop boxes, called iron rangers. For parks without permanent staff, the staff at nearby parks are responsible for checking the iron rangers weekly. Periodically, the cash and check collections are deposited into various banks around the state to be wired to the state treasury.

Sales and deposit records are entered in an online system for each park. For staffed parks, the online system is connected with the cash registers at each park and a sale, such as a gift shop purchase, visitation fee, or camping fee, is recorded each time there is a transaction. For unstaffed parks, the sales transactions are entered into the online system by staff when collected from the iron rangers. Once a transaction is entered into the online system for a park, a session within the system is automatically created and remains open to record all transactions until a deposit is made. Per department policy, the staff at state parks should be entering all payments on the day they are received or collected from the iron rangers, but they are allowed to batch the day use fees together into one transaction instead of entering each one individually. There is no record kept on when staff check the iron rangers at each park but no cash is collected.

Regardless of whether the park is staffed or unstaffed, a report is run from the online system showing all of the activity for the session and used to complete the deposit paperwork, which is then taken, along with the accumulated cash and checks, to the closest bank. Deposits are only completed by a single staff member at each park. While more than one staff member may be able to complete deposits at each park, only one person completes each deposit (both the paper forms and in the online system), takes the deposit to the bank, and reconciles the deposit to the park's records once the deposit is made at the bank. State Parks' staff in Helena periodically run a report to check how long sessions are open in the online system and follow up on sessions open longer than 7 days.

State policy designates management as responsible for establishing and maintaining the internal controls for the agency. This responsibility includes establishing internal control policies and procedures designed to safeguard agency assets, check the accuracy and reliability of financial data, promote operational efficiency, and encourage adherence to prescribed managerial policies and compliance with applicable laws and regulations. An integral part of effective internal control is a proper segregation of duties between multiple individuals to ensure no one person is able to authorize and record transactions or has custody of assets and performs the periodic reconciliation of assets to the recorded amounts.

By having only one staff member complete all portions of the deposit process, the department places itself at greater risk of an incomplete deposit due to theft of assets or inaccurate or incomplete accounting. Additionally, because a session cannot be created within the online system until a transaction is entered, if a state park has not entered a transaction in over a week they will not show up on the report as having an open session for more than seven days, regardless of whether they have collected any fees during that time. There is risk of individual state parks not checking and depositing collections from iron rangers in accordance with the department's policy without the knowledge of central department staff.

Section 17-6-105(6), MCA, requires state agencies to make deposits when the accumulated amount of coin and currency requiring deposit exceeds $200 or total collections exceed $750. All collections must be deposited at least weekly, regardless of amount. However, agencies are allowed to obtain a modified deposit schedule to better fit its operations as long as it is approved by the Department of Administration and the Board of Investments. The department has a modified deposit schedule for the parks account allowing up to one week between deposits regardless of the amount of collections. We reviewed records for 20 deposits from seven state parks. These deposits ranged from $2 to $614 and totaled approximately $2,630. We determined 3 deposits totaling approximately $147 were made within the time frame allowed under the modified deposit schedule and 5 deposits totaling approximately $179 were not. We were unable to determine whether the remaining 12 deposits totaling $2,305 were made within the time frame allowed under the modified deposit schedule as the online system did not contain sufficient detail to determine when the cash and checks were collected for each deposit.

Department staff stated there is not enough park staff to have more than one person involved in the deposit process or to ensure timely deposits of cash and checks collected at each state park, especially during the off-season. However, with the exception of one, all of the state parks we reviewed had more than one staff member or were located

near the regional office; meaning there were other staff available to assist with deposits. Additionally, if current staffing levels do not allow timely collections and deposits at remote parks, the department has the ability in state law to seek a new deposit schedule from the Department of Administration and Board of Investments to reflect the department's current constraints.

Recommendation #1

We recommend the Department of Fish, Wildlife & Parks:

A. *Implement internal controls to ensure the segregation of duties over the deposit of cash collections at state parks,*

B. *Implement internal controls at headquarters to ensure each state park's compliance with state law, and*

C. *Deposit collections in accordance with state law.*

Recreational Trails Program

The department administers the Recreational Trails federal program (RTP), which is funded from the Federal Highway Trust Fund and overseen by the Federal Highway Administration (FHWA). This program provides grants to subrecipients throughout the state to develop and maintain recreational trails and trail-related facilities. Subrecipients can include federal, tribal, state, county or city agencies, private associations, and clubs. During the audit period, the department issued approximately $2.3 million in grants to 64 different subrecipients. The following sections describe instances where the department did not comply with the federal regulations related to the RTP.

Subrecipient Monitoring

The department is not in compliance with the federal subrecipient monitoring requirements for the Recreational Trails Program.

The department is considered a pass-through entity as it provides federal funds to a subrecipient to carry out part of a federal program. The individual entities receiving RTP grants to develop and maintain recreational trails and trail-related facilities are considered the subrecipients. Federal regulations require pass-through entities (the department) to establish and maintain effective internal controls to provide reasonable assurance the federal award is being administered in compliance with statutes, regulations, and the terms and conditions of the federal award. Federal regulations

also require specific actions by pass-through entities to monitor subrecipients of federal funds. We reviewed the department's procedures to monitor subrecipients of RTP grants and identified several areas where the department did not meet its subrecipient monitoring responsibilities, which are summarized in the paragraphs below:

- **Determining Subrecipient Eligibility**: The department is required to determine whether an applicant for a subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application, or, if not, before the award. This number is used to determine if the entity is eligible to receive federal funds. The department did not collect the DUNS number, or make sure the entity was registered in the System for Award Management, prior to awarding a project during calendar years 2016 and earlier. For projects awarded during calendar year 2017, the department obtained the DUNS numbers as part of the contract signing process.
- **Award Identification**: The department is required to identify information about the subaward to the subrecipients at the time they make the award. Specifically, the department must provide the Catalog of Federal Domestic Assistance (CFDA) title and number; award name and number; if the award is research and development; and name of Federal awarding agency. The department only provided the CFDA title to subrecipients for projects awarded during calendar years 2015 and earlier and for projects awarded during calendar years 2016 with contracts prepared and signed prior to September 2016. For projects awarded during calendar year 2016 with contracts prepared and signed beginning in September 2016 and for projects awarded during calendar year 2017, the department provided all of the specific award information to subrecipients using a standard contract cover form.
- **Subrecipient Audits**: Federal regulation also requires each entity that expends a total amount of federal awards equal to or in excess of $750,000 to either have a single audit or a program-specific audit. In addition to ensuring subrecipients who exceed the threshold receive the required audit, the department must evaluate the audit results, issue management decisions on findings, and conduct follow-up on audit findings. Management decisions must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected subrecipient action. The department does not have any controls in place to ensure subrecipients receive the required audit nor does it review the audit reports for subrecipients who do receive an audit.
- **Evaluate Risk**: The department is required to evaluate each subrecipient's risk of noncompliance with the award requirements in order to determine the appropriate monitoring of the subrecipient. For projects awarded during calendar year 2016, the department did not assess the risk of noncompliance for each subrecipient. For projects awarded during calendar year 2017, the department completed a subrecipient risk assessment to determine the extent of monitoring required before a contract was signed with each subrecipient. This risk assessment identifies each subrecipient as low, medium, or high risk. Per department staff, they will adjust the amount of monitoring

each subrecipient receives based on the results of this risk assessment. We were unable to confirm whether the department adjusted the amount of monitoring based on the completed risk assessments as the projects awarded during calendar year 2017 had not reached the point where the department had completed monitoring during our audit.

Of the above compliance requirements, the requirement to evaluate risk was new for grants awarded during calendar year 2016. The remaining compliance requirements have been in place for many years.

Department staff stated there has historically not been enough staff to complete all of the federal subrecipient monitoring requirements for the RTP and they were not aware of all of the requirements. In January of 2017, the department hired an additional staff position to coordinate the monitoring for several federal grants, including the RTP. Even though the department has taken steps to address the issues discussed above, they were still in material noncompliance with the federal requirements during the audit period and there are still additional steps that need to be taken to fully comply with the requirements discussed above.

Recommendation #2

We recommend the Department of Fish, Wildlife & Parks:

A. *Implement internal controls to ensure compliance with federal subrecipient monitoring requirements, and*

B. *Comply with federal subrecipient monitoring requirements for the Recreational Trails Program.*

Cash Management

The department is not in compliance with the federal cash management requirements for the Recreational Trails Program and the state cash management requirements for the Federal Special Revenue fund type.

The RTP is a reimbursement based program, which means subrecipients expend funds for projects outlined in grant agreements and then request reimbursement from the department. When a subrecipient requests reimbursement, department staff review and approve the reimbursement requests and then send the request to FHWA. Once the request is reviewed and approved by FHWA staff, the department records the expenditures on the state's accounting system which initiates a payment to the subrecipient.

Once the department has reimbursed subrecipients, the state can then request reimbursement from the federal government for that amount. Prior to January 2017, department staff requested reimbursement from FHWA each time they reimbursed a subrecipient. Beginning in January 2017, department staff requested reimbursement from FHWA monthly, based on the expenditures for subrecipient reimbursements recorded in the previous month. The department records the revenue on the state's account system at the time the request is made.

Federal Requirements

Federal regulations require the department to use a draw technique to minimize the time between funds leaving the state treasury to pay subrecipients and the time funds are received from the federal government. Additionally, the department must establish and maintain effective internal control to provide reasonable assurance the federal award is being administered in compliance with statutes, regulations, and the terms and conditions of the federal award. We reviewed the department's pattern of recording expenditures and revenues for the RTP to determine if it minimized the time between payments to subrecipients and reimbursements from the federal government. In our analysis, we considered the time between payments to subrecipients and reimbursements from the federal government to be minimized if the difference between expenditures and revenues recorded existed for no more than five days. The results of our analysis are summarized in Table 1 below:

Table 1
Recreational Trails Program Draw Analysis
For the Two Fiscal Years Ended June 30, 2017

	Expenditures Exceeded Revenues				Revenues Exceeded Expenditures			
Fiscal Year	Instances	Range of Days	Highest Amount	RTP Fund Average Cash Balance	Instances	Range of Days	Highest Amount	RTP Fund Average Cash Balance
2016	3	26 to 103	$313,621	$261,164	3	10 to 98	$72,120	$169,581
2017	2	24 to 211	$358,724	($101,153)	3	8 to 27	$86,832	($75,405)

Source: Compiled by the Legislative Audit Division from SABHRS records.

Additionally, we determined the department does not consider the amount of cash on hand when calculating the amount of the federal reimbursement request. Without considering cash balances when determining draws, the potential exists that the department is drawing more funds than necessary. Due to the number of instances of untimely payments to subrecipents and reimbursements from the federal government identified in Table 1, and not considering the cash balances on hand when determining draw amounts, the department is not in compliance with federal regulations.

Although the timing of the department's recording of expenditures and revenues for the RTP program resulted in several instances of the department requesting more from the federal government than it paid to subrecipients or paying more to subrecipients than it requested from the federal government during the audit period, the department did eventually request reimbursement from the federal government for the same amount as payments they made to subrecipients during the audit period.

Department staff stated they use the expenditures that are processed to determine what needs to be drawn instead of the cash balance because they manage the cash balance by fund type, not individual funds during the year. This practice, however, does not ensure the department complies with the specific cash management requirements of each federal grant. Untimely cash draws also contribute to repeated negative cash balances in the department's federal special revenue fund accounts, as described in the following paragraphs.

State Requirements

Section 17-2-107(7), MCA, allows a fund type within an agency to carry a negative cash balance at any point during the fiscal year if that negative cash balance does not exist for more than 7 working days. After 7 days, a transaction may not be processed through the statewide accounting system for that fund. We identified four instances during fiscal years 2016 and 2017 where the department's cash balance in the federal special revenue fund type was negative for more than the 7 working days allowed under state law. The number of days the negative cash balance existed ranged between 8 and 14 days, with the average being 10 days. The dollar amount of the negative cash ranged from approximately $6,600 to $1.3 million, with the average being $320,000.

Department staff attributed the negative cash balances to a lag in the amount of time it takes to receive reimbursements from the federal government; but in these instances, state law allows the Department of Administration to authorize a temporary loan if there is reasonable evidence that the loan can be repaid within one year. During our review, we were able to see the department received and repaid loans in this fund type several times during the audit period. Department staff also stated they receive communications from the Department of Administration regularly if their cash balances are negative for more than the 7 working days allowed, and, upon notification, request an inter-entity loan to resolve the balance as allowed. However, for one of the four instances we identified during the audit period, the negative cash balance was not corrected through a change in the department's loan balance in the federal special revenue fund type. This means the department did not receive a loan to correct the negative cash balance in this instance. For the remaining three instances, however, the department did receive a loan to correct the negative cash balance.

By addressing the cash draw procedures, the department can also address compliance with section 17-2-107(7), MCA.

Recommendation #3

We recommend the Department of Fish, Wildlife & Parks:

A. *Strengthen internal controls to ensure compliance with federal cash management requirements for the Recreational Trails Program,*

B. *Minimize the time between cash requests and distributions for the Recreational Trails Program as required by federal regulations, and*

C. *Comply with state law and ensure cash balances do not remain negative for more than 7 working days.*

Public Disclosure of Cost

The department issued fourteen public documents that did not include public disclosure of costs as required by state law.

The department prints and distributes various documents to the public free of charge, including yearly fishing and hunting regulations and informational pamphlets. These documents are available at the various regional and area offices, state parks, and informational kiosks around the state.

Section 18-7-306, MCA, requires a public disclosure of the costs on the exterior cover of all public documents produced by the state. State law allows for the disclosure of the exact or estimated cost of the document depending on the cost information available to the agency and provides the exact statement that is to appear on the published material in each situation. We reviewed 36 public documents produced and distributed by the department and found 14 of them did not contain either of the cost disclosure statement options required by state law. The department was not able to identify a definitive reason as to why these documents did not have the required disclosures.

Recommendation #4

We recommend the Department of Fish, Wildlife & Parks comply with state law by including public disclosure of costs on all public documents.

Independent Auditor's Report and Department Financial Schedules

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Joe Murray

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Fish, Wildlife & Parks for each of the fiscal years ended June 30, 2017, and 2016, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the department's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, liabilities, and cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the department as of June 30, 2017, and June 30, 2016, or changes in financial position or cash flows for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, present fairly, in all material respects, the results of operations and changes in fund equity and property held in trust of the Department of Fish, Wildlife, & Parks for each of the fiscal years ended June 30, 2017, and 2016, in conformity with the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017, on our consideration of the Department of Fish, Wildlife & Parks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

November 9, 2017

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Permanent Fund
FUND EQUITY: July 1, 2016	$ (173,511)	$ 96,637,923	$ (141,965)	$ 1	$ 558,069	$ 8,167,428	$ 0	$ 48,171,364
PROPERTY HELD IN TRUST: July 1, 2016							$ 189,522	
ADDITIONS								
Budgeted Revenues & Transfers-In	154	73,876,353	47,891,253		174,676	3,904,753		2,339,714
Nonbudgeted Revenues & Transfers-In		6,591,177	424,580	25,000	150,722	5,988		(1,125,045)
Prior Year Revenues & Transfers-In Adjustments	(169)	(316,989)	79,064		952			(12,659)
Direct Entries to Fund Equity	1,155,064	9,263,543						703,128
Additions to Property Held in Trust							27,858	
Total Additions	1,155,049	89,414,084	48,394,897	25,000	326,350	3,910,741	27,858	1,905,138
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	1,237,336	71,674,321	48,361,823	25,000	295,993	4,514,731		
Nonbudgeted Expenditures & Transfers-Out		6,062,733			5,282	(1,006,813)		1,542,704
Prior Year Expenditures & Transfers-Out Adjustments	416	(103,879)	19,989		2,059	(1,178)		
Reductions in Property Held in Trust							42,249	
Total Reductions	1,237,752	77,633,174	48,381,812	25,000	303,334	3,506,740	42,249	1,542,704
FUND EQUITY: June 30, 2017	$ (256,214)	$ 108,418,833	$ (128,880)	$ 1	$ 581,085	$ 8,571,429	$ 0	$ 48,533,798
PROPERTY HELD IN TRUST: June 30, 2017							$ 175,132	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Permanent Fund
FUND EQUITY: July 1, 2015	$ (117,037)	$ 86,812,066	$ (313,143)	$ 1	$ 472,832	$ 7,152,966	$ 0	$ 45,325,212
PROPERTY HELD IN TRUST: July 1, 2015							$ 195,574	
ADDITIONS								
Budgeted Revenues & Transfers-In	231	68,365,977	36,946,985		72,359	3,888,761		2,368,663
Nonbudgeted Revenues & Transfers-In	140	6,041,436	597,145		165,407	461,340		1,362,136
Prior Year Revenues & Transfers-In Adjustments		(132,045)	342,486		17,510			(14,023)
Direct Entries to Fund Equity	748,540	8,722,891	300					692,481
Additions to Property Held in Trust							23,197	
Total Additions	748,911	82,998,260	37,886,917	0	255,276	4,350,101	23,197	4,409,257
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	817,796	68,611,454	37,646,865		195,090	3,533,985		
Nonbudgeted Expenditures & Transfers-Out	(527)	4,799,475	6		(25,352)	(198,346)		1,563,105
Prior Year Expenditures & Transfers-Out Adjustments	(11,884)	(238,526)	68,868		300			
Reductions in Property Held in Trust							29,249	
Total Reductions	805,385	73,172,403	37,715,738	0	170,038	3,335,638	29,249	1,563,105
FUND EQUITY: June 30, 2016	$ (173,511)	$ 96,637,923	$ (141,965)	$ 1	$ 558,069	$ 8,167,428	$ 0	$ 48,171,364
PROPERTY HELD IN TRUST: June 30, 2016							$ 189,522	

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Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS								
Licenses and Permits		$ 62,500,570					$ 632,505	$ 63,133,075
Taxes		(174)						(174)
Charges for Services		3,677,909	$ (6,829)		$ 9,248	$ 3,803,119		7,483,448
Investment Earnings		532,712			2,923		408,431	944,067
Fines and Forfeits	$ (15)	163,855						163,840
Capital Contributions						101,634		101,634
Sale of Documents, Merchandise and Property		601,528			305,175			906,703
Rentals, Leases and Royalties		29,652					160,837	190,488
Grants, Contracts, and Donations		3,059,326			9,003	3,042		3,071,371
Transfers-in		5,381,457	514,165	$ 25,000			237	5,920,859
Capital Asset Sale Proceeds		43,904						43,904
Federal Indirect Cost Recoveries		4,103,783						4,103,783
Miscellaneous		53,965	(731)			2,946		56,180
Federal		2,055	47,888,292					47,890,347
Total Revenues & Transfers-In	(15)	80,150,541	48,394,897	25,000	326,350	3,910,741	1,202,010	134,009,524
Less: Nonbudgeted Revenues & Transfers-In		6,591,177	424,580	25,000	150,722	5,988	(1,125,045)	6,072,422
Prior Year Revenues & Transfers-In Adjustments	(169)	(316,989)	79,064		952		(12,659)	(249,801)
Actual Budgeted Revenues & Transfers-In	154	73,876,353	47,891,253	0	174,676	3,904,753	2,339,714	128,186,903
Estimated Revenues & Transfers-In		73,396,748	47,615,000		174,500	3,908,634	2,342,000	127,436,882
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 154	$ 479,605	$ 276,253	$ 0	$ 176	$ (3,881)	$ (2,286)	$ 750,021
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS								
Licenses and Permits		$ 329,847					$ 5,164	$ 335,011
Taxes		(174)						(174)
Charges for Services		32,455			$ 248	$ (3,881)		28,822
Investment Earnings		69,356			427		(8,287)	61,496
Fines and Forfeits	$ 154	2,408						2,562
Capital Contributions						(0)		(0)
Sale of Documents, Merchandise and Property		3,149			(1,136)			2,013
Rentals, Leases and Royalties		(1,351)					837	(515)
Grants, Contracts, and Donations		19,813			637			20,450
Transfers-in		(7,652)	$ 3,769					(3,883)
Federal Indirect Cost Recoveries		29,999						29,999
Miscellaneous		(299)						(299)
Federal		2,055	272,484					274,539
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 154	$ 479,605	$ 276,253	$ 0	$ 176	$ (3,881)	$ (2,286)	$ 750,021

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS							
Licenses and Permits		$ 57,209,024				$ 690,718	$ 57,899,742
Taxes		(114)					(114)
Charges for Services		3,644,372	$ 6,829	$ 3,770	$ 3,888,761		7,543,731
Investment Earnings		592,133		1,372		2,917,199	3,510,704
Fines and Forfeits	$ 169	201,485					201,654
Sale of Documents, Merchandise and Property		607,330		249,397	44,806		901,532
Rentals, Leases and Royalties		13,313				108,750	122,063
Grants, Contracts, and Donations		2,520,861		738	3,042		2,524,641
Transfers-in	140	5,067,885	645,017		413,492	109	6,126,642
Capital Asset Sale Proceeds		23,613					23,613
Federal Indirect Cost Recoveries		4,242,317					4,242,317
Miscellaneous	62	150,720	731				151,514
Federal		2,430	37,234,040				37,236,471
Total Revenues & Transfers-In	371	74,275,369	37,886,617	255,276	4,350,101	3,716,776	120,484,510
Less: Nonbudgeted Revenues & Transfers-In	140	6,041,436	597,145	165,407	461,340	1,362,136	8,627,605
Prior Year Revenues & Transfers-In Adjustments		(132,045)	342,486	17,510		(14,023)	213,929
Actual Budgeted Revenues & Transfers-In	231	68,365,977	36,946,985	72,359	3,888,761	2,368,663	111,642,976
Estimated Revenues & Transfers-In		67,355,637	36,491,000	78,500	3,875,000	2,320,000	110,120,137
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 231	$ 1,010,340	$ 455,985	$ (6,141)	$ 13,761	$ 48,663	$ 1,522,839
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS							
Licenses and Permits		$ 837,950				$ (5,259)	$ 832,691
Taxes		(114)					(114)
Charges for Services		43,330	$ 829	$ 770	$ 13,761		58,690
Investment Earnings		26,738		799		45,172	72,709
Fines and Forfeits	$ 169	(1,323)					(1,154)
Sale of Documents, Merchandise and Property		(9,580)		(8,110)			(17,690)
Rentals, Leases and Royalties		313				8,750	9,063
Grants, Contracts, and Donations		7,042		400			7,442
Transfers-in		(56,017)	(1,835)				(57,852)
Federal Indirect Cost Recoveries		106,011					106,011
Miscellaneous	62	55,558	731				56,351
Federal		430	456,261				456,691
Budgeted Revenues & Transfers-In Over (Under) Estimated	$ 231	$ 1,010,340	$ 455,985	$ (6,141)	$ 13,761	$ 48,663	$ 1,522,839

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	ADMINISTRATION	CAPITAL OUTLAY	COMMUNICATION & EDUCATION DIVISION	DEPARTMENT MANAGEMENT	ENFORCEMENT DIVISION	FISHERIES DIVISION	PARKS DIVISION	WILDLIFE DIVISION	Total
Personal Services									
Salaries	$ 4,735,384		$ 1,705,060	$ 4,395,167	$ 6,483,478	$ 10,901,395	$ 4,788,947	$ 7,633,567	$ 40,642,997
Hourly Wages						156			156
Employee Benefits	1,655,170		607,809	1,614,247	2,565,484	4,692,851	1,834,855	3,154,795	16,125,211
Personal Services-Other	9,317						294		9,611
Total	6,399,871		2,312,869	6,009,414	9,048,962	15,594,402	6,624,096	10,788,362	56,777,976
Operating Expenses									
Other Services	4,530,175	$ 392,898	644,073	229,920	99,539	2,196,778	420,834	6,102,506	14,616,723
Supplies & Materials	1,858,991	343,717	349,160	419,101	518,673	1,614,428	429,613	1,057,899	6,591,582
Communications	769,961	408	233,477	116,016	181,482	238,750	181,293	258,738	1,980,125
Travel	82,091	4,425	157,384	268,776	899,140	1,280,935	405,029	1,242,261	4,340,040
Rent	681,921	231,367	23,800	273,852	162,798	186,994	69,632	989,237	2,619,601
Utilities	11,954		10,202	173,846	8,173	381,465	272,329	40,181	898,151
Repair & Maintenance	796,510	172,962	99,274	141,200	55,737	811,556	584,632	495,865	3,157,737
Other Expenses	1,441,000	1,824	78,888	1,093,811	173,830	117,482	89,738	169,314	3,165,888
Goods Purchased For Resale	106,130		9,121	2,310		350	221,685	1,410	341,007
Total	10,278,733	1,147,601	1,605,379	2,718,834	2,099,372	6,828,737	2,674,785	10,357,411	37,710,853
Equipment & Intangible Assets									
Equipment	(77,563)				115,117	435,042	89,375	313,403	875,375
Total	(77,563)				115,117	435,042	89,375	313,403	875,375
Capital Outlay									
Land & Interest In Land		20,798,817						150,017	20,948,835
Buildings	191,015	594,064					25,919		810,998
Other Improvements	731,048	6,844,435				30,000	412,232		8,017,714
Total	922,063	28,237,316				30,000	438,151	150,017	29,777,547
Grants									
From State Sources		51,851	300,566				481,279	6,000	839,696
From Federal Sources		1,162,216						111,874	1,274,090
Grant To Governmental Entities						12,076		1,154,912	1,166,988
Total		1,214,067	300,566			12,076	481,279	1,272,786	3,280,774
Benefits & Claims									
From State Sources								7,984	7,984
Total								7,984	7,984
Transfers-out									
Fund transfers	3,889,104	32,227		132,186	19,609	92,949			4,166,075
Total	3,889,104	32,227		132,186	19,609	92,949			4,166,075
Debt Service									
Loans				3,575					3,575
Total				3,575					3,575
Post Employment Benefits									
Other Post Employment Benefits	13,133						1,634		14,767
Employer Pension Expense	13,915						1,675		15,590
Total	27,048						3,309		30,357
Total Expenditures & Transfers-Out	$ 21,439,255	$ 30,631,212	$ 4,218,814	$ 8,864,010	$ 11,283,060	$ 22,993,206	$ 10,310,995	$ 22,889,964	$ 132,630,516
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund					$ 80,549	$ 1,157,203			$ 1,237,752
State Special Revenue Fund	$ 16,121,439	$ 9,235,854	$ 3,271,142	$ 8,399,268	10,560,128	9,329,190	$ 9,611,799	$ 11,104,353	77,633,174
Federal Special Revenue Fund	891,813	21,370,357	947,672	464,742	642,383	12,506,813	395,862	11,162,170	48,381,812
Capital Projects Fund		25,000							25,000
Enterprise Fund							303,334		303,334
Internal Service Fund	2,883,299							623,441	3,506,740
Permanent Fund	1,542,704								1,542,704
Total Expenditures & Transfers-Out	21,439,255	30,631,212	4,218,814	8,864,010	11,283,060	22,993,206	10,310,995	22,889,964	132,630,516
Less: Nonbudgeted Expenditures & Transfers-Out	2,683,951	1,770,996	105,288	(8,852)	51,196	1,165,746	158,200	677,381	6,603,905
Prior Year Expenditures & Transfers-Out Adjustments	30,229	4,995	(13,406)	(789)	1,790	(15,159)	(46,712)	(43,542)	(82,594)
Actual Budgeted Expenditures & Transfers-Out	18,725,075	28,855,220	4,126,932	8,873,650	11,230,074	21,842,619	10,199,507	22,256,126	126,109,205
Budget Authority	20,607,459	109,062,997	4,293,535	9,118,999	11,340,159	25,042,395	12,489,158	29,804,371	221,759,073
Unspent Budget Authority	$ 1,882,384	$ 80,207,777	$ 166,603	$ 245,349	$ 110,085	$ 3,199,775	$ 2,289,651	$ 7,548,245	$ 95,649,868
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund					$ 9,451	$ 10,406			$ 19,857
State Special Revenue Fund	$ 1,111,505	$ 59,032,409	$ 46,300	$ 193,549	76,159	853,901	$ 2,167,575	$ 1,442,725	64,924,122
Federal Special Revenue Fund	599,222	21,175,368	120,303	51,800	24,475	2,335,468	116,193	6,091,874	30,514,703
Enterprise Fund							5,884		5,884
Internal Service Fund	171,657							13,646	185,304
Unspent Budget Authority	$ 1,882,384	$ 80,207,777	$ 166,603	$ 245,349	$ 110,085	$ 3,199,775	$ 2,289,651	$ 7,548,245	$ 95,649,868

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	ADMINISTRATION	CAPITAL OUTLAY	COMMUNICATION & EDUCATION DIVISION	DEPARTMENT MANAGEMENT	ENFORCEMENT DIVISION	FISHERIES DIVISION	PARKS DIVISION	WILDLIFE DIVISION	Total
Personal Services									
Salaries	$ 4,120,529		$ 1,530,736	$ 3,992,613	$ 6,461,968	$ 9,796,622	$ 4,579,602	$ 7,320,990	$ 37,803,060
Hourly Wages						1,020			1,020
Employee Benefits	1,505,395		559,638	1,467,730	2,409,719	3,755,448	1,585,876	2,703,999	13,987,804
Personal Services-Other	7,750						11,473		19,223
Total	5,633,674		2,090,375	5,460,342	8,871,687	13,553,090	6,176,951	10,024,989	51,811,107
Operating Expenses									
Other Services	4,185,228	$ 514,480	657,816	245,255	102,661	1,839,106	513,013	5,890,274	13,947,832
Supplies & Materials	2,713,692	52,485	382,635	204,487	506,034	1,403,245	553,398	1,403,668	7,219,645
Communications	705,057	350	124,506	113,799	175,906	229,421	152,631	272,552	1,774,223
Travel	76,012	5,562	114,560	241,429	974,341	1,224,187	446,332	1,329,813	4,412,237
Rent	536,983	177,044	22,753	334,376	126,556	225,158	45,621	1,170,304	2,638,794
Utilities	11,996		10,422	177,089	9,534	377,391	270,008	39,603	896,043
Repair & Maintenance	682,966	23,769	56,831	135,913	59,774	713,040	657,634	557,582	2,887,509
Other Expenses	1,423,892	600	97,870	830,271	170,051	177,004	63,079	129,843	2,892,612
Goods Purchased For Resale	143,475		5,576	1,450	1	1,187	150,286	31	302,007
Total	10,479,302	774,290	1,472,970	2,284,072	2,124,859	6,189,740	2,852,001	10,793,669	36,970,902
Equipment & Intangible Assets									
Equipment	184,738		76,172	15,000	43,714	453,722	463,095	207,992	1,444,434
Total	184,738		76,172	15,000	43,714	453,722	463,095	207,992	1,444,434
Capital Outlay									
Land & Interest In Land		15,341,202							15,341,202
Buildings	42,550	408,715		21,270					472,534
Other Improvements	(14,000)	3,924,258							3,910,258
Total	28,550	19,674,175		21,270					19,723,994
Grants									
From State Sources		122,554	294,293				417,130		833,977
From Federal Sources	95,994	1,424,273						47,088	1,567,354
Grant To Governmental Entities								157,031	157,031
Total	95,994	1,546,827	294,293				417,130	204,118	2,558,362
Transfers-out									
Fund transfers	4,016,444	40,297		130,996	19,609	9,134			4,216,480
Total	4,016,444	40,297		130,996	19,609	9,134			4,216,480
Debt Service									
Loans				16,088					16,088
Total				16,088					16,088
Post Employment Benefits									
Other Post Employment Benefits	10,373						1,181		11,555
Employer Pension Expense	8,446						940		9,386
Total	18,819						2,121		20,941
Total Expenditures & Transfers-Out	$ 20,457,521	$ 22,035,588	$ 3,933,809	$ 7,927,768	$ 11,059,868	$ 20,205,686	$ 9,911,299	$ 21,230,768	$ 116,762,307
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund					$ 52,886	$ 752,499			$ 805,385
State Special Revenue Fund	$ 15,131,208	$ 7,773,399	$ 3,061,555	$ 7,417,507	10,453,862	8,738,044	$ 9,384,533	$ 11,212,294	73,172,403
Federal Special Revenue Fund	851,663	14,262,189	872,255	510,261	553,121	10,715,143	356,727	9,594,380	37,715,738
Enterprise Fund							170,038		170,038
Internal Service Fund	2,911,544							424,095	3,335,638
Permanent Fund	1,563,105								1,563,105
Total Expenditures & Transfers-Out	20,457,521	22,035,588	3,933,809	7,927,768	11,059,868	20,205,686	9,911,299	21,230,768	116,762,307
Less: Nonbudgeted Expenditures & Transfers-Out	3,777,903	439,798	87,665	(5,426)	14,402	999,792	117,777	706,450	6,138,361
Prior Year Expenditures & Transfers-Out Adjustments	(156,820)	(10,321)	11,144	(7,327)	(9,426)	(4,084)	(4,168)	(241)	(181,243)
Actual Budgeted Expenditures & Transfers-Out	16,836,438	21,606,111	3,835,000	7,940,521	11,054,892	19,209,978	9,797,689	20,524,559	110,805,189
Budget Authority	21,139,532	74,551,504	4,037,139	8,390,575	11,230,667	22,300,908	12,428,081	27,521,264	181,599,669
Unspent Budget Authority	$ 4,303,094	$ 52,945,393	$ 202,139	$ 450,054	$ 175,775	$ 3,090,930	$ 2,630,391	$ 6,996,704	$ 70,794,480
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund					$ 37,114	$ 119,090			$ 156,204
State Special Revenue Fund	$ 2,382,758	$ 41,049,671	$ 78,431	$ 403,741	50,280	629,832	$ 2,421,837	$ 1,648,975	48,665,524
Federal Special Revenue Fund	1,377,616	11,870,722	123,707	46,313	88,381	2,342,008	129,126	5,331,644	21,309,519
Capital Projects Fund		25,000							25,000
Enterprise Fund							79,428		79,428
Internal Service Fund	542,720							16,085	558,805
Unspent Budget Authority	$ 4,303,094	$ 52,945,393	$ 202,139	$ 450,054	$ 175,775	$ 3,090,930	$ 2,630,391	$ 6,996,704	$ 70,794,480

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

Department of Fish, Wildlife & Parks
Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 2017

1. Summary of Significant Accounting Policies

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, Capital Projects, and Permanent). In applying the modified accrual basis, the department records:

- Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) and Fiduciary (Agency) fund categories. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The department uses the following funds:

Governmental Fund Category

- **General Fund** – to account for all financial resources except those required to be accounted for in another fund.

- **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Department State Special Revenue Funds include revenue from licenses and permits, fuel taxes, motor vehicle registration fees, accommodation taxes, private grants, donations, and wildlife/fisheries mitigation funds.
- **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department Federal Special Revenue Funds include sport fish & wildlife restoration, parks development, boating safety, education & regulation, and other federal programs.
- **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The department uses this fund for projects administered by the Department of Administration's Architecture and Engineering Division. The department also accounts for some activities related to land acquisition, leasing, easement purchases, or development agreements in the capital projects fund.
- **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, not principal, may be used for purposes that support the department's programs. The department uses this fund to record revenue from the sale or lease of department lands, a portion of certain hunting licenses statutorily dedicated to wildlife habitat purposes, and the department's share of the state coal severance tax. Revenue earned from the investment of the trust fund money is transferred to the state special revenue fund for expenditure.

Proprietary Fund Category

- **Internal Service Fund** – to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. Department Internal Service Funds include duplication services, department owned vehicles, aircraft, and warehouse inventory items.
- **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The department's enterprise fund is the Visitor's Services Fund. This fund accounts for obtaining and selling educational, commemorative and interpretive merchandise as well as educational events at various sites throughout the state.

Fiduciary Fund Category

- **Agency Fund** – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal (to the State) clearing account activity but these must have a zero balance at fiscal year-end. The department agency fund accounts for license agent bonds and collections due to a tribe for licenses sold on their behalf.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The department has authority to pay obligations from the statewide General Fund within its appropriation limits. The department expends cash or other assets from the statewide fund when it pays General Fund obligations. The department's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ending June 30, 2016 and 2017. These balances reflect the results of the activity of the department and not the fund balance of the statewide General Fund.

3. Direct Entries to Fund Equity

Direct entries to fund equity in the General Fund, State Special Revenue Fund, and Permanent Fund include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

Direct entries to fund equity in the State Special Revenue Fund also include (1) corrections of errors from a previous period that occurred at least two fiscal years prior, (2) the payment or cancellation of A-Accruals from a previous period that was originally accrued at least two fiscal years prior, and (3) the transfer of remaining balances to close funds in accordance with sunset legislation.

Direct entries to fund equity in the Federal Special Revenue Fund is a correction from a previous period that occurred at least two fiscal years prior.

4. Unspent Budget Authority

Administration Program -The Administration program had unspent budget authority of $4.3 million and $1.9 million at June 30, 2016 and June 30, 2017 respectively. The unspent authority in FY16 and FY 17 includes unused carry forward authority and contracts and grants spanning more than one year.

Capital Outlay Program - The Capital Outlay program had unspent budget authority of $52.9 million and $80.2 million at June 30, 2016 and June 30, 2017 respectively. Capital projects are approved by each Legislature and can take several years to complete.

Budgetary authority carries over each fiscal year until the projects are finished and any remaining authority is then reverted. As of June 30, 2017, there was approximately $1.8 million of contractual commitments for engineering and construction of various capital projects.

Fisheries Division – The Fisheries Division had unspent budget authority of $3.1 million and $3.2 million at June 30, 2016 and June 30, 2017 respectively. The unspent authority for FY16 and FY17 includes a decrease in federal apportionments included in the base authority and contracts and grants spanning more than one year.

Parks Division – The Parks Division had unspent budget authority of $2.6 million and $2.3 million at June 30, 2016 and June 30, 2017 respectively. The unspent authority for FY16 and FY17 is from contracts and grants spanning more than one year and voluntary budget reductions to help manage cash flows for various state special revenue funds.

Wildlife Division – The Wildlife Division had unspent budget authority of $7.0 million and $7.5 million at June 30, 2016 and June 30, 2017. The unspent authority for FY16 and FY17 includes line item restricted authority that remained due to vacancies and other operating savings within the division and an increase in the availability of federal grants and contracts spanning more than one year.

Report on Internal Control and Compliance

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Joe Murray

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with *Government Auditing Standards*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Fish, Wildlife & Parks for each of the fiscal years ended June 30, 2017, and 2016, and the related notes to the financial schedules, and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered the Department of Fish, Wildlife & Parks' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Department of Fish, Wildlife & Parks' internal control. Accordingly, we do not express an opinion on the effectiveness of Department of Fish, Wildlife & Parks' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Fish, Wildlife & Parks' financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination on financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department of Fish, Wildlife & Parks' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department of Fish, Wildlife & Parks' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

November 9, 2017

Department of Fish, Wildlife & Parks

Department Response

Montana Fish, Wildlife & Parks

PO Box 200701
Helena, MT 59620-0701
406-444-3186
FAX: 406-444-4952
Ref: DO083-18

March 7, 2018

Angus Maciver, Legislative Auditor
Legislative Audit Division
PO Box 201705
Helena, MT 59620-1705

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MAR 21 2018
LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

We have received and reviewed the financial-compliance audit report for the two fiscal years ended June 30, 2017. We have attached our response including the timeline for implementing the recommendations.

We appreciate the services you and your staff have provided in reviewing the Departments' procedures, internal controls, and accounting practices. We appreciate the opportunity to be more efficient and effective in our overall operations and use these audits as learning experiences. We continually strive to improve the fiscal management of FWP and appreciate comments provided by your office.

Sincerely,

Martha Williams
Director

C: Dustin Temple, FWP Chief of Administration
Jennifer Thompson, FWP Financial Operations Manager

CORRECTIVE ACTION PLAN
Fish, Wildlife and Parks Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 2017

Audit Recommendation #	Does this affect a federal program?	Management View	CAP – Corrective Action Plan	Responsible Area	Target Date
Recommendation #1 We recommend the Department of Fish, Wildlife & Parks: A. Implement internal controls to ensure the segregations of duties over the deposit of cash collections at state parks. B. Implement internal controls at headquarters to ensure each state park's compliance with state law. C. Deposit collections in accordance with state law.	No	Concur	A. FWP has documented internal controls within the Parks Business Rules. Segregation of duties is addressed, and we will work to communicate and train existing and new employees to ensure proper segregation of duties in parks that have adequate staff. FWP will work with the individual park managers to document processes, by park, and identify which parks currently do not have adequate staff to assess whether there are additional options available (ex: using nearby parks or staff at regional offices). In addition, we will implement periodic monitoring controls to visit parks and ensure proper deposit procedures. B. FWP headquarters staff will work with park managers to ensure compliance with timely deposits. We will develop a chart to document when no cash is received in the iron rangers, thus proving compliance with timely deposits. We will continue to review the open sessions within the reservation system and require staff to close sessions timely. In addition, we will implement periodic monitoring controls to visit parks and ensure proper deposit procedures. C. Through the items identified above and the annual training that is performed for all park staff in the spring, we will deposit collections in accordance with state law.	Administration Division and Parks Division	Spring 2018
Recommendation #2 We recommend the Department of Fish, Wildlife & Parks: A. Implement internal controls to ensure compliance with federal Subrecipient monitoring	Yes	Concur	A. As noted within the discussion of the finding, FWP identified the need to establish internal controls and adhere to compliance requirements surrounding subrecipient monitoring. In January 2017, the department hired a grants and contracts coordinator and has implemented procedures and internal controls to bring the department into compliance with the majority of the federal subrecipient monitoring requirements	Administration Division	Fall 2018

requirements. B. Comply with federal Subrecipient monitoring requirements for the Recreational Trails Program.			for the Recreational Trails Program going forward. The department will develop controls and documentation regarding the federal requirements associated with Subrecipient Audits. B. FWP has implemented procedures and internal controls to bring the department into compliance with federal subrecipient monitoring requirements for the Recreational Trails Program going forward.		
Recommendation #3 We recommend the Department of Fish, Wildlife & Parks: A. Strengthen internal controls to ensure compliance with federal Cash management requirements for the Recreational Trails Program. B. Minimize the time between cash requested and distributions for the Recreational Trails Program as required by federal regulations. C. Comply with state law and ensure cash balances do not remain negative for more than 7 working days.	Yes (A & B) No - C	Concur	A. During the period under audit, the Recreational Trails Program endured several programmatic changes. One of these changes was related to cash management and draw techniques. Some of these duties were being performed within the Parks Division, rather than the Administration Division (Admin) and resulted in temporary discrepancies within the accounting records. Admin took over these procedures in Jan 2017 and will continue to develop strong internal controls surrounding cash management. B. During the transition discussed above, there were a few discrepancies within the accounting records. This was due to the transition and the development of new processes as Admin took over these processes and procedures. We reconcile and request cash as needed in this fund monthly and will continue to improve the cash management process. C. FWP is monitoring cash balances regularly, trying to balance when funds will be received. If there are instances when a delay could be possible, we will obtain temporary loans.	Administration Division	Completed
Recommendation #4 We recommend the Department of Fish, Wildlife & Parks comply with state law by including public disclosure of costs on all public documents.	No	Concur	FWP will communicate with current and new employees regarding the requirement to disclose costs on all public documents. We will also ensure that any in-house printing items include the clause prior to be leaving and will work with the Department of Administration – Print & Mail to ensure that contracted printing also contains the disclosure.	Communication & Education Division and Administration Division.	Fall 2017