

Legislative Audit Division

Report Summary

Department of Natural Resources and Conservation

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2004

Audit # 04-17

This report documents the results of our financial-compliance audit of the Department of Natural Resources and Conservation (Department) for the two fiscal years ended June 30, 2004. The previous report contained eight recommendations to the Department. The Department implemented five recommendations and did not implement three recommendations.

This report contains fifteen recommendations directed to the Department. The recommendations address internal control and accounting oversight; Cooperative Forestry Assistance federal award administration; fire expenditure internal control and documentation; accounting issues; and compliance with state and federal laws and regulations.

We issued a qualified opinion on the financial schedules contained in the report. This means the reader should use caution in relying on the presented financial information as well as the supporting data on the state's accounting system.

The Department's written response to the audit begins on page B-3.

The listing below serves as a means of summarizing the recommendations contained in the report, the Department's response thereto, and a reference to the supporting comments.

Recommendation #1: We recommend the Department:

- A. Establish, document, and monitor internal control over compliance with requirements for the Cooperative Forestry Assistance federal award.
- B. Reimburse the United States Department of Agriculture \$6,878 for unallowable costs charged to the Cooperative Forestry Assistance federal award. Page 11.

Department Response: Concur. See page B-3.

Recommendation #2: We recommend the Department clarify and enforce its policy regarding the review, approval, and processing of claims. Page 13.

Department Response: Concur. See page B-3.

Recommendation #3: We recommend the Department establish procedures to verify the accuracy of recorded revenue estimates. Page 15.

Department Response: Concur. See page B-3.

Recommendation #4: We recommend the Department establish procedures to ensure distributions of unrealized investment income are properly classified on the state's accounting records. Page 16.

Department Response: Concur. See page B-3.

Recommendation #5: We recommend the Department review federal revenue accruals and deferrals for compliance with state accounting policy and process necessary correcting entries. Page 17.

Department Response: Concur. See page B-3.

Recommendation #6: We recommend the Department establish procedures to ensure bond and note payables are properly classified on the state's accounting records. Page 18.

Department Response: Concur. See page B-3.

Recommendation #7: We recommend the Department record infrastructure transactions in accordance with state accounting policy. Page 19.

Department Response: Concur. See page B-4.

Recommendation #8: We recommend the Department place Permanent Fund timber sale revenues in the state timber sale account as prescribed by state law. Page 20.

Department Response: Concur. See page B-4.

Recommendation #9: We recommend the Department take immediate measures to resolve the conflict in state law related to the use of Public School Fund mineral royalties and other permanent fund revenues to finance the cost of administering state trust land. Page 21.

Department Response: Do not concur. See page B-4.

Recommendation #10: We recommend the Department comply with state law by distributing Montana University System trust fund timber revenues. Page 22.

Department Response: Concur. See page B-4.

Recommendation #11: We recommend the Department report grazing, agricultural and forestland acreage to the Department of Revenue as required by state law. Page 23.

Department Response: Concur. See page B-4.

Recommendation #12: We recommend the Department process surface and ground water rights applications in the timeframes required by state law. Page 24.

Department Response: Concur. See page B-5.

Recommendation #13: We recommend the Department review state water reservations as required by state law. Page 25.

Department Response: Concur. See page B-5.

Recommendation #14: We recommend the Department submit fire cost protection assessment information by the deadline established in state law. Page 25.

Department Response: Concur. See page B-5.

Recommendation #15: We recommend the Department establish procedures to ensure its annual Schedule of Expenditures of Federal Awards and summary of subgrant activity are complete and contain accurate information as required by OMB Circular A-133 and the Single Audit Act Amendments of 1996. Page 26.

Department Response: Concur. See page B-6.