



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Department of Fish, Wildlife & Parks

*For the Two Fiscal Years Ended
June 30, 2019*

JULY 2020

LEGISLATIVE AUDIT
DIVISION

19-18

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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 and many 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, 2019, was issued March 30, 2020. The Single Audit Report for the two fiscal years ended June 30, 2021, will be issued by March 31, 2022.

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July 2020

The Legislative Audit Committee
of the Montana State Legislature:

This report documents the results of our financial-compliance audit of the Department of Fish, Wildlife & Parks for the two fiscal years ended June 30, 2019. Included in the report are three recommendations related to internal control deficiencies in the department's federal Sport Fish and Wildlife Restoration program and one recommendation related to fees not being commensurate with costs in the department's internal service funds.

The department's written response to the audit recommendations is included in the audit report on 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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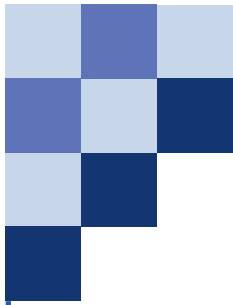
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APPOINTED AND ADMINISTRATIVE OFFICIALS

			<u>Term Expires</u>
Montana Fish & Wildlife Commission	Shane Colton, Chair	Billings	2021
	Richard Stuker, Vice Chair	Chinook	2021
	Tim Aldrich	Missoula	2021
	Logan Brower	Scobey	2023
	Pat Byorth	Bozeman	2023
Montana State Parks & Recreation Board	Angie Grove, Chair	Helena	2021
	Mary Sheehy Moe, Vice Chair	Great Falls	2021
	Scott Brown	Billings	2023
	Erica Lighthiser	Livingston	2021
	Betty Stone	Glasgow	2021
Administrative Officials	Martha Williams, Director		
	Paul Sihler, Chief of Staff (through December 2019)		
	Quentin Kujala, Chief of Staff (effective June 2020)		
	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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FINANCIAL-COMPLIANCE AUDIT

Department of Fish, Wildlife & Parks For the Two Fiscal Years Ended June 30, 2019

JULY 2020

19-18

REPORT SUMMARY

In fiscal years 2018 and 2019, respectively, the Department of Fish, Wildlife & Parks (department) received approximately \$45 million and \$42 million in federal revenue. One of the main sources of these federal funds comes from the Sport Fish and Wildlife Restoration grant program, the purpose of which is to restore, conserve, and enhance sport fish and wildlife populations and to provide for public use and enjoyment of these resources. During the audit, we identified several control deficiencies related to this grant program, resulting in \$49,362 and \$49,855 of federal questioned costs in fiscal years 2018 and 2019, respectively.

Context

The department manages Montana's fish, wildlife, parks, and recreational resources. The five-member Fish & Wildlife Commission establishes fish and wildlife regulations, approves property acquisitions, and approves certain rules and activities of the department as provided by statute. In addition, a five-member Montana State Parks and Recreation Board sets park regulations, approves property transactions made by the Parks Division, and approves other rules and activities provided by statute. Commission and Board members are appointed by the Governor and confirmed by the Senate.

The department is funded primarily through license and permit revenue and federal grants. In fiscal years 2018 and 2019, the department collected \$64,405,903 and \$68,135,388, respectively, in license and permit revenue. The department also received \$45,447,009 and \$42,424,764 in federal revenue for fiscal years 2018 and 2019, respectively. These revenues are used primarily for personal services expenditures, department operations, and land acquisitions.

Results

The prior audit report for the two fiscal years ended June 30, 2017, contained four recommendations. During the current audit, we followed up on the prior audit recommendations and determined the department implemented three recommendations and partially implemented one recommendation. The partially implemented recommendation pertains to controls over the collection and deposit of park usage fees. While the department made progress in implementing controls to help ensure compliance with state deposit requirements, our follow-up work identified continued noncompliance with state law.

For the current audit period, we focused our audit efforts on testing transactions related to licenses and permits revenue, federal revenues, operating expenditures, capital outlays, and personal services. In addition, we reviewed the department's control systems and determined compliance with selected state and federal laws and regulations.

As a result of our work, we identified several control deficiencies related to the department's federal Sport Fish and Wildlife Restoration grants which resulted in federal questioned costs of \$49,362 and \$49,855, respectively, in fiscal years 2018 and 2019. We also identified noncompliance with state law and accounting policy in three out of four of the department's internal service funds.

Recommendation Concurrence	
Concur	3
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

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Call toll-free 1-800-222-4446, or e-mail LADHotline@mt.gov.

Chapter I– Introduction and Background

Audit Scope

We performed a financial-compliance audit of the Department of Fish, Wildlife & Parks (department) for the two fiscal years ended June 30, 2019. The objectives of the audit were to:

1. Obtain an understanding of the department's internal controls to the extent necessary to support the audit of the department's financial schedules and, if appropriate, make recommendations for improvements in internal and management controls of the department.
2. Determine whether the department's financial schedules for each of the two fiscal years ended June 30, 2019, fairly present the results of operations and changes in fund equity and property held in trust, in accordance with state accounting policy.
3. Determine whether the department complied with selected state laws and federal regulations.
4. Determine the implementation status of audit recommendations made in the previous audit.

We addressed these objectives by focusing our audit efforts primarily on revenues received from federal grant awards and those generated from licensing and permitting activities. We also reviewed expenditures related to personal services, operating expenditures, and capital outlays. This included reviewing the department's internal control procedures, performing analytical procedures, and reviewing accounting transactions. We also reviewed and tested the department's compliance with selected state laws and policies and federal regulations.

In addition, we completed testing over the department's Sport Fish and Wildlife Restoration grant program. This federal program provides funding for the purpose of restoring, conserving, and enhancing sport fish and wildlife populations and to provide for public use and enjoyment of these resources. Three of our four audit recommendations relate to this program.

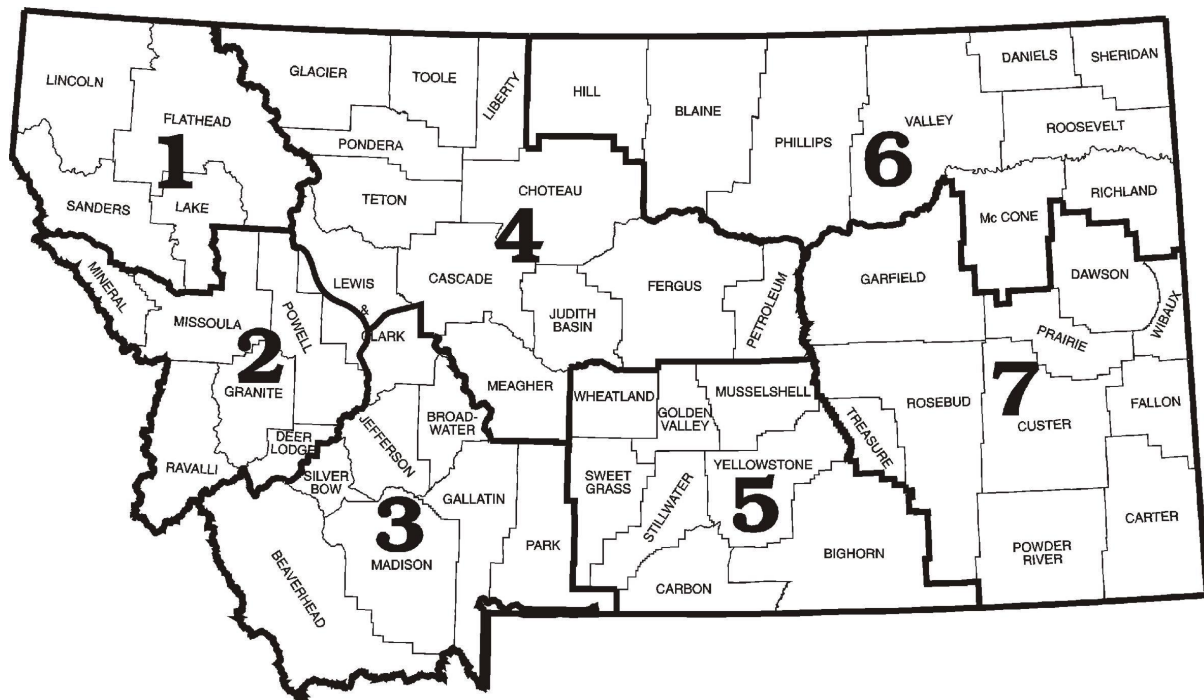
In accordance with §17-8-101(6), MCA, we also reviewed the fees, charges, and the fund equity of the department's four internal service funds. These funds include the department's printing operations, aircraft fleet, vehicle fleet, and the department's warehouse which stores official uniform items worn by department staff. Our review of these funds resulted in our fourth audit recommendation starting on page 12.

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.

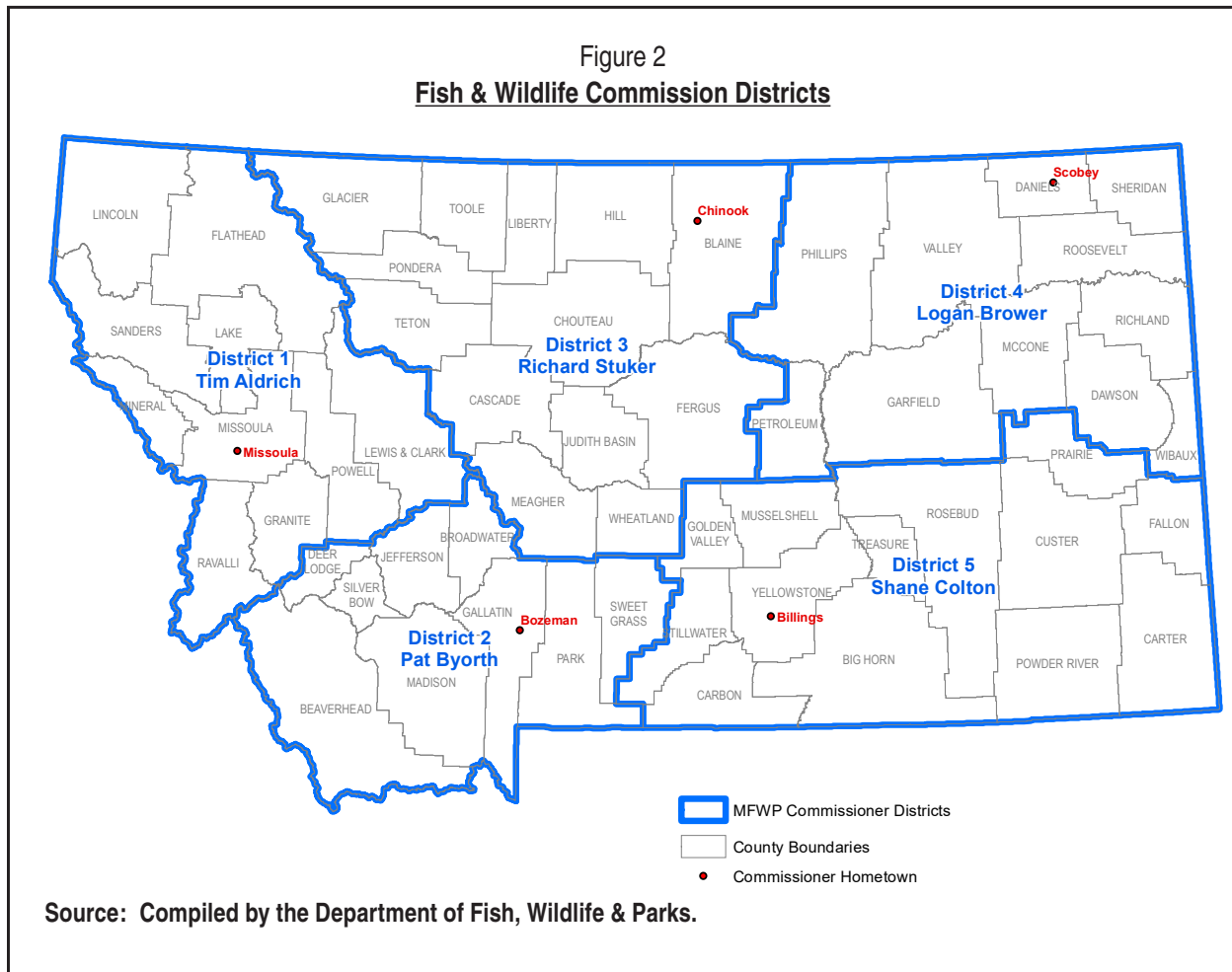
The department's headquarters are located in Helena. The department maintains seven regional offices located in Kalispell, Missoula, Bozeman, Billings, Great Falls, Glasgow, and Miles City. Figure 1 outlines the seven regions. There are also four area offices located in Havre, Lewistown, Butte, and Helena and three field service offices located in Dillon, Libby, and Thompson Falls. Regional supervisors oversee the fish and wildlife programs in their respective areas. Additionally, there are five regional park managers who oversee the parks programs throughout the state.

Figure 1
FWP Regions

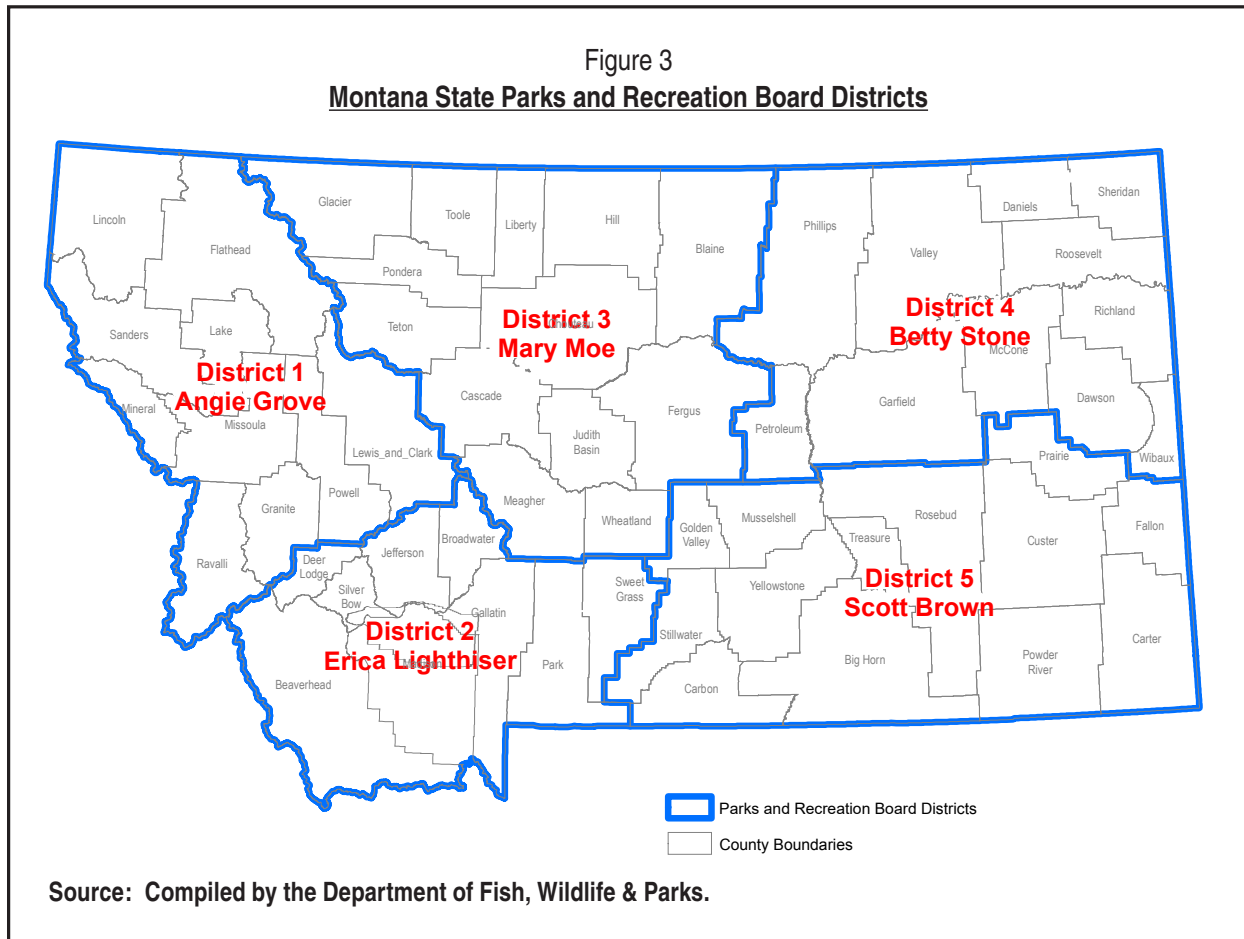


Source: Compiled by the Department of Fish, Wildlife & Parks.

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 which are illustrated in Figure 2.



Similarly, there is a five-member Montana State Parks and Recreation 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.



User fees, such as hunting and fishing licenses and state park usage 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. In the 2016-17 biennium, the department received one-time-only General Fund support to address the issues arising from aquatic invasive species. This General Fund support was not continued into the 2018-19 biennium, but licensing fee increases were approved by the legislature to help fund the department's activities related to this continuing problem.

The department was authorized 702.67 full time equivalent (FTE) positions in fiscal year 2019, 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 (75.12 FTE) manages the administration branch of the department. This branch is responsible for providing consistent 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 and implementation of internal control procedures; sale of hunting, fishing and other recreational licenses; and maintenance of biological and GIS 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 (25.75 FTE) is responsible for public relation functions of the department, including film production and the 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 (76.21 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 matters.

Enforcement Division (116 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 (188.65 FTE) is responsible for preserving and perpetuating all aquatic species and their ecosystems, meeting public demand for fishing opportunities, and managing the fishing access site program.

Parks Division (82.53 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 (138.41 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.

Prior Audit Recommendations

The prior audit resulted in four recommendations to the department related to cash collections at state parks, compliance with federal regulations for the Recreational Trails Program, and disclosing the costs of public documents. We determined the department implemented three recommendations and partially implemented one recommendation.

The partially implemented recommendation pertains to cash collections at state parks. The department collects usage fees for visitation and camping at state parks either via staff located at the park or locked drop boxes called iron rangers. The prior audit determined the department did not have adequate internal controls in place to ensure the proper segregation of duties when collecting and depositing these fees and ensuring the fees were deposited timely in accordance with state law. As part of our follow-up work on this recommendation, we reviewed four of the parks identified as noncompliant with deposit requirements in the previous audit. While the department implemented internal controls over the deposit process, the documentation maintained in three out of the four parks we reviewed did not adequately demonstrate compliance with state law. However, because the department is actively addressing this issue, we make no further recommendations at this time.

Chapter II – Findings and Recommendations

Wildlife and Sport Fish Restoration Grants

The Department of Fish, Wildlife & Parks (department) administers the Sport Fish Restoration Program and the Wildlife Restoration and Basic Hunter Education Program. Collectively, these programs are referred to as the Wildlife and Sport Fish Restoration (WSFR) grant programs. The main objective of these two federal programs is to restore, conserve, and enhance sport fish and wildlife populations and to provide for public use and enjoyment of these resources. Training for hunters and archers is also provided to enhance and promote responsible hunting practices. The department receives an allocation every federal fiscal year from the U.S. Fish and Wildlife Service (USFWS) for these programs. The department submits individual project proposals to the USFWS to use the allocated funding for specific projects or tasks. In fiscal years 2018 and 2019, respectively, the department expended \$21,834,341 and \$22,579,509 in federal funds pertaining to the WSFR programs.

In the following sections, we discuss internal control deficiencies and noncompliance identified during our audit in relation to the WSFR grant programs.

Internal Control

Federal regulations require entities receiving federal awards to establish and maintain effective internal control over those federal awards to provide reasonable assurance they are administered in accordance with the federal requirements. During our current audit, we identified areas where the department should improve its internal control over the WSFR grant programs to ensure compliance with federal regulations. The following three recommendations discuss internal control deficiencies we identified during our current audit.

Indirect Cost Rates

The department does not have internal controls in place over the calculation of its indirect cost rate as required by federal regulations.

Indirect costs are costs the department incurs that are not easily associated with a specific grant, contract, or activity, but are necessary for the general operation of the department. To properly allocate these types of costs in a fair and equitable manner, the department negotiates an indirect cost rate with the federal government. This rate is applied to eligible costs of the department, such as personal services and certain operating costs, and the subsequent dollar amount is then recovered from the federal

government. Federal regulations outline the methods allowed for calculating the indirect cost rate, as well as what costs can and cannot be included in the calculation.

We reviewed the department's fiscal year 2018 and 2019 indirect cost rate calculations and identified several cost items not allowed to be included in the calculations per federal regulations. These cost items included lobbying activities, fines and settlements, expenditures for promotional aids, and the department's enterprise fund activity which accounts for visitor activity at the various Montana state parks. We estimate unallowed costs included in the calculations totaled \$205,791 and \$585,102 in fiscal years 2018 and 2019, respectively. In addition to the unallowed costs, we identified inconsistencies in the calculations between the two fiscal years, as well as mathematical errors.

To determine the effect of the unallowed costs and the mathematical errors, we completed a basic recalculation of the indirect cost rates for both years, adjusting for the identified errors. For fiscal year 2018, despite the errors and unallowed costs we identified, due to how the rate is calculated, our calculation reflected the same indirect cost rate determined by the department. For fiscal year 2019, we determined the department's rate was lower than it should have been, resulting in the department forfeiting \$167,302 in federal indirect cost recoveries.

Department staff responsible for calculating the rate stated there were no written procedures when they took over the calculation several years ago but have been keeping notes over different aspects of the calculation each year, just not consistently. While we did see evidence of some notes in the supporting documentation, many of the decisions made in the calculation were not documented and several items of cost were not considered for allowability, resulting in the identified errors.

Given the significance of the deficiencies in the department's procedures, it is likely more errors exist or additional unallowed costs were included in the calculation. Therefore, it is essential the department implement internal control procedures over its indirect cost rate to ensure its accuracy and to comply with federal regulations.

RECOMMENDATION #1

We recommend the Department of Fish, Wildlife & Parks implement internal controls over the calculation of its indirect cost rate to comply with federal regulations.

Allowable Activity

An employee's time charged to the Wildlife and Sport Fish Restoration grant resulted in federal questioned costs.

Activities allowed to be funded under the department's WSFR grant programs are nonspecific, though certain activities such as those related to law enforcement and public relations are explicitly prohibited. If the activity is fulfilling the objective of the WSFR grant programs, it is generally allowable. During our audit, we reviewed a list of employees who charged their time to the WSFR grant programs in fiscal years 2018 and 2019 to determine the reasonableness of the expenditures. We found the department's internal auditor charges 100 percent of their time to the grant, but not all their time is spent on activities directly benefitting the grant. The internal auditor's job duties encompass multiple state and federal programs, thus not all of their time should be recorded to the WSFR programs.

To be considered allowable, federal regulations state costs must be necessary and reasonable for the performance of the federal award and be allocable to the program. To be allocable to the federal grant, the services must be chargeable to that federal award in accordance with the relative benefits received. This means the costs must be:

- ◆ Incurred specifically for the federal award,
- ◆ Necessary for the department's overall operation but be assignable, at least in part, to the federal award, and
- ◆ Benefit both the federal award and other work of the department but be able to be distributed proportionately to both the federal award and the other funding sources.

While we do not dispute that a portion of the internal auditor's time is likely spent on activities directly related to the WSFR grant programs, the internal auditor does not track their activity in sufficient detail to determine the amount allocable to the WSFR program.

Department management stated they requested and received specific approval in a grant award from the federal government to include the internal auditor position in the funding under the WSFR grant programs. We reviewed the grant award documentation and although the internal auditor position is discussed in the grant, the description is vague and suggests the internal auditor's time is spent solely on activity related to ensuring the department's continued eligibility for funding under the WSFR grant programs.

Because the department does not have procedures in place to determine the portion of the internal auditor's time spent specifically on activities benefitting the WSFR grant programs, we are unable to determine how much of the internal auditor's time was allocable to the WSFR grant programs during the audit period. As a result, we question \$49,362 and \$49,855 in costs charged by the internal auditor to the WSFR grant programs in fiscal years 2018 and 2019, respectively.

RECOMMENDATION #2

We recommend the Department of Fish, Wildlife & Parks implement procedures to ensure the internal auditor's time is allocated to the Wildlife and Sport Fish Restoration grant in accordance with federal regulations.

Vehicle and Aircraft Fleet Expenditures

The department does not have internal controls in place to ensure the allowability of its vehicle and aircraft fleet expenditures.

To ensure expenditures charged to federal programs are accurate and allowable, the department requires program supervisors to review and approve all expenditures prior to being recorded in the state's accounting system. The department utilizes hundreds of project codes to identify the proper funding sources for expenditures and if an incorrect project code is used, it could result in unallowable costs being charged to a federal grant. The program supervisor's review helps mitigate the risk of employees using incorrect project codes, but during the audit, we determined the department was not following this internal control procedure in relation to its vehicle and aircraft fleet expenditures.

The department maintains a fleet of vehicles and aircraft for department personnel use. As of June 30, 2019, the department had 629 vehicles and 7 aircraft in its inventory. When department personnel use fleet vehicles or flight services, either the employee using the vehicle, or the pilot of the aircraft, subsequently submits a mileage or flight log to accounting staff. The logs contain the project codes used by accounting staff to record the expenditure on the state's accounting system. In fiscal years 2018 and 2019, the department recorded \$473,859 and \$578,386, respectively, in vehicle fleet expenditures and \$240,071 and \$189,982, respectively, in aircraft fleet expenditures to federal funds.

We completed a statistical sample of 32 operating expenditures recorded to the WSFR grant programs in fiscal years 2018 and 2019. We found five vehicle and two aircraft fleet transactions, totaling \$6,265, were not reviewed and approved by a program supervisor as required by department policy. In relation to its vehicle fleet expenditures, department personnel stated they have tried to enforce the policy, but it frequently resulted in expenditures not being recorded timely due to delays in receiving the approved paperwork. In order to process the expenditures timely, the department stopped requiring a program supervisor's signature for these expenditures. While the timely processing of expenditures is important, without a program supervisor's review and approval, the department is at increased risk of charging unallowable costs to its federal programs.

Regarding the aircraft expenditures, department staff stated it was not feasible to obtain signatures from program supervisors. The project codes recorded on the flight logs are often given to the pilots via e-mail or text message when the flight is requested, and pilots do not keep the paper flight log in the aircraft for safety reasons. However, in the department's current structure, the responsibility for obtaining the program supervisor's signature does not lie with the pilots. Other opportunities exist for the department to obtain the program supervisor's review and approval of the related aircraft expenditures. For example, prior to requesting the flight, the employee could obtain the program supervisor's written approval for the expenditure, including the project code to be used, and e-mail it to the pilot. The pilot could then attach the approval to the flight log. Another option would be to have accounting personnel distribute the flight logs to the program supervisors for review and approval prior to the program being charged for the costs of the flight.

Department staff also states the program supervisors are responsible for monitoring their budgets and if expenditures were recorded to the federal program that are not allowable, the program supervisors should request accounting to move them to an eligible funding source. Budget monitoring can be an effective internal control, but based on follow-up discussions with department personnel, no documented internal control procedures have been developed regarding program supervisor budget reviews, so it is not known to what extent supervisors review the details of their program activity or how often reviews occur.

In our testing, we did not identify unallowable vehicle or aircraft fleet activity charged to the federal program, but as discussed above, without proper controls in place, the department is at risk of unallowable activity being charged to its federal programs. This could result in the department being required to reimburse the federal government for the unallowable costs or having future federal funding reduced.

RECOMMENDATION #3

We recommend the Department of Fish, Wildlife & Parks either implement new procedures, or enforce its current procedures, to ensure the allowability of vehicle and aircraft expenditures charged to the Wildlife and Sport Fish Restoration grant programs.

Internal Service Funds

The department did not maintain a reasonable fund equity balance in three of its four internal service funds.

State law mandates fees charged in an internal service fund be based upon commensurate costs. The department maintains four internal service funds for services provided centrally to all departmental programs. These internal service funds include the Duplicating Center fund, which operates the department's printing operations; the DFWP Aircraft fund, which manages the department's aircraft fleet; the Equipment Enterprise fund, where the department's vehicle fleet is accounted for; and the F&G Warehouse fund, which consists of the department-owned warehouse where official uniform items worn by department staff are accounted for. The department develops rates for the equipment and services provided for in these funds, which are approved by the legislature in House Bill 2, and these rates are then charged to other programs using the services. The rates set in House Bill 2 represent the maximum the department is allowed to charge, but the department may charge a lower rate if needed in order to ensure compliance with state law and policy.

As part of our review, we evaluated whether fees were commensurate with costs in each of the internal service funds. We also considered the reasonableness of the fund equity balances, which included assessing the working capital balance in each fund. State accounting policy defines working capital as the amount of cash that would remain if all the current assets were converted, and all the current liabilities paid, at their book value. The policy further states a working capital balance of up to 60 days is allowable. We considered the fund equity balance reasonable if the working capital balance was 60 days or less and the fees charged were commensurate with costs, unless the fees were intentionally not commensurate with costs in order to bring the working capital to a reasonable balance. Based on our review, we found the following:

Table 1
Fish, Wildlife & Parks Internal Service Fund Analysis

Internal Service Fund	Fees Commensurate With Costs		Number of days of Working Capital		Reasonable Fund Equity Balance	
	FY18	FY19	FY18	FY19	FY18	FY19
Duplicating Center	No	Yes	-23	-3	No	Yes
DFWP Aircraft	No	No	426	521	No	No
Equipment Enterprise	Yes	Yes	81	59	No	Yes
F&G Warehouse	Yes	Yes	-2	21	Yes	Yes

Source: Compiled by the Legislative Audit Division.

The following paragraphs summarize the results outlined in the table above.

- ♦ **Duplicating Center** – In fiscal year 2018, the department collected approximately \$9,300 less in revenue than it expended, which contributed to its 23 days of negative working capital and an unreasonable fund equity. In fiscal year 2019, the working capital was increased to 3 days of negative working capital and because the department made appropriate changes to increase its working capital, we determined fees to be commensurate with costs. However, maintaining a negative working capital balance increases the department's risk of not being able to pay its obligations. Per department personnel, a new fee for desktop publishing was requested for the 2019 biennium, but it was not enough to cover the shortfall.
- ♦ **DFWP Aircraft** – In fiscal years 2018 and 2019, the department's revenues exceeded its expenditures by \$136,865 and \$115,510, respectively. Per department personnel, regulations require specific maintenance of the department's aircraft which can be very expensive, and fees are established to ensure adequate operational funding, in addition to being able to fund required, and unexpected, maintenance.

While we understand maintenance costs can be expensive, our analysis of the fund shows the department has been averaging approximately \$41,000 more in revenue than expenditures over the last seven years. In addition, the fund has averaged a 214-day working capital balance over the same time period. We do not consider this reasonable as there are other options available to the department to cover the costs of unexpected repairs and maintenance, such as interfund or intercap loans, instead of charging higher than needed rates and building a large fund equity balance. The department did purchase a new aircraft in fiscal year 2020, which should reduce the working capital balance, but this does not relieve the department of its responsibility to manage its internal service fund in accordance with state law.

- ♦ **Equipment Enterprise** – In fiscal year 2018, we determined fees were commensurate with costs, but the fund equity balance was not reasonable due to the department maintaining 81 days of working capital, which exceeds the 60 days allowed in state accounting policy. Department personnel stated

at the end of fiscal year 2018, there were 11 vehicle replacements where delivery was delayed into fiscal year 2019, resulting in the excess cash at fiscal year-end 2018. In fiscal year 2019, the department reduced its working capital to 59 days, which is under the 60-day working capital allowance.

- ♦ **F&G Warehouse** – The main purpose of this fund is to supply uniforms for department personnel. As such, it maintains a large inventory balance, which is not included when determining working capital balances. As a result, even though the department is showing a negative 2-day working capital balance in fiscal year 2018, we did not consider the fund equity unreasonable as expenses could be minimal and the fund would still be able to fulfill its purpose. In addition, in fiscal year 2019, the fund ended with a positive working capital balance within the 60-day allowance, which demonstrates the department is actively managing this fund.

In the prior audit, we identified similar issues with the department's internal service funds but did not make a recommendation because we concluded the department was actively managing the funds. However, as described in the paragraphs above, the department continued demonstrating noncompliance with state law and policy during the current audit period and we determined an audit recommendation was warranted.

RECOMMENDATION #4

We recommend the Department of Fish, Wildlife & Parks comply with state law and policy governing its internal service funds by:

- A. *Charging fees commensurate with costs, and*
 - B. *Maintaining its working capital within 60 days.*
-

Independent Auditor's Report and Department Financial Schedules

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, 2019, and 2018, 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2019, and June 30, 2018, 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, 2019, and 2018, 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 May 21, 2020, on our consideration of the Department 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

May 21, 2020

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Permanent Fund
FUND EQUITY: July 1, 2018	\$ 116,368,615	\$ 12,045	\$ 2,130,273	\$ 655,048	\$ 8,735,284	\$ (0)	\$ 48,618,067
PROPERTY HELD IN TRUST: July 1, 2018						\$ 926	
ADDITIONS							
Budgeted Revenues & Transfers-In	81,372,670	42,804,476		182,945	4,179,540		2,132,636
Nonbudgeted Revenues & Transfers-In	8,555,787	428,781		156,263	7,554		2,078,298
Prior Year Revenues & Transfers-In Adjustments	(254,982)	257,336		21,638			(15,380)
Direct Entries to Fund Equity	13,121,209	(76,155)		(619)	349	0	358,191
Additions to Property Held in Trust						33,505	
Total Additions	102,794,683	43,414,438	0	360,227	4,187,443	33,505	4,553,745
REDUCTIONS							
Budgeted Expenditures & Transfers-Out	85,677,762	38,981,188	712,380	245,074	4,269,846		
Nonbudgeted Expenditures & Transfers-Out	7,398,065	4,200,152		19,804	(80,691)		1,634,381
Prior Year Expenditures & Transfers-Out Adjustments	(199,485)	282,339		53	(139)		
Reductions in Property Held in Trust						31,531	
Total Reductions	92,876,342	43,463,680	712,380	264,931	4,189,016	31,531	1,634,381
FUND EQUITY: June 30, 2019	\$ 126,286,956	\$ (37,197)	\$ 1,417,892	\$ 750,343	\$ 8,733,711	\$ 0	\$ 51,537,431
PROPERTY HELD IN TRUST: June 30, 2019						\$ 2,900	

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, 2018

	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, 2017	\$ (256,214)	\$ 108,418,833	\$ (128,880)	1	\$ 581,085	\$ 8,571,429	\$ 0	\$ 48,533,798
PROPERTY HELD IN TRUST: July 1, 2017							\$ 175,132	
ADDITIONS								
Budgeted Revenues & Transfers-In		77,001,062	45,564,806		152,477	3,802,234		2,228,012
Nonbudgeted Revenues & Transfers-In		6,682,308	415,112	2,200,000	141,290	19,118		(1,359,686)
Prior Year Revenues & Transfers-In Adjustments	(154)	30,840	123,653		(6,462)			(13,561)
Direct Entries to Fund Equity	256,611	10,896,680	(223,406)		10,614	61,566	(0)	740,682
Additions to Property Held in Trust							26,363	
Total Additions	256,457	94,610,890	45,880,164	2,200,000	297,918	3,882,918	26,363	1,595,447
REDUCTIONS								
Budgeted Expenditures & Transfers-Out		79,818,942	41,049,762	69,728	236,081	3,827,949		
Nonbudgeted Expenditures & Transfers-Out		6,618,350	4,624,932		103	(108,886)		1,511,178
Prior Year Expenditures & Transfers-Out Adjustments	243	223,817	64,546		(12,228)			
Reductions in Property Held in Trust					223,956	3,719,063	200,569	
Total Reductions	243	86,661,108	45,739,240	69,728	223,956		200,569	1,511,178
FUND EQUITY: June 30, 2018	\$ 0	\$ 116,368,615	\$ 12,045	\$ 2,130,273	\$ 655,048	\$ 8,735,284	\$ (0)	\$ 48,618,067
PROPERTY HELD IN TRUST: June 30, 2018							\$ 926	

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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, 2019

	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		\$ 67,760,733				\$ 374,655	\$ 68,135,388
Taxes		(108)					(108)
Charges for Services		4,292,653		\$ 3,666	\$ 4,179,540		8,475,859
Investment Earnings		2,904,153		11,356		3,702,143	6,617,652
Fines and Forfeits		163,857					163,857
Monetary Settlements		16,625					16,625
Sale of Documents, Merchandise and Property		472,186		338,967	6,154		817,308
Rentals, Leases and Royalties		17,566				113,603	131,169
Grants, Contracts, and Donations		3,073,828		6,857			3,080,684
Transfers-in		6,585,611	\$ 1,144,137			5,153	7,734,901
Capital Asset Sale Proceeds		18,590					18,590
Federal Indirect Cost Recoveries		4,257,463					4,257,463
Miscellaneous		32,009			1,400		33,409
Federal		78,308	42,346,456				42,424,764
Total Revenues & Transfers-In	0	89,673,475	43,490,593	360,846	4,187,094	4,195,554	141,907,562
Less: Nonbudgeted Revenues & Transfers-In		8,555,787	428,781	156,263	7,554	2,078,298	11,226,683
Prior Year Revenues & Transfers-In Adjustments		(254,982)	257,336	21,638		(15,380)	8,613
Actual Budgeted Revenues & Transfers-In	0	81,372,670	42,804,476	182,945	4,179,540	2,132,636	130,672,267
Estimated Revenues & Transfers-In	2	81,139,232	42,680,000	183,500	4,155,000	2,135,000	130,292,734
Budgeted Revenues & Transfers-In Over (Under) Estimated	(2)	233,438	124,476	(555)	24,540	(2,364)	379,533
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS							
Licenses and Permits		\$ 84,339				\$ (153)	\$ 84,186
Taxes		(108)					(108)
Charges for Services		21,969		\$ 585	\$ 24,540		47,094
Investment Earnings		83,631		814		(2,814)	81,631
Fines and Forfeits	(1)	15,348					15,347
Monetary Settlements		0					0
Sale of Documents, Merchandise and Property		14,119		(3,442)			10,677
Rentals, Leases and Royalties		273				603	876
Grants, Contracts, and Donations		(663)		1,488			824
Transfers-in		(11,917)	\$ 1,997				(9,920)
Federal Indirect Cost Recoveries		21,742					21,742
Miscellaneous	(1)	1,395					1,394
Federal		3,308	122,480				125,788
Budgeted Revenues & Transfers-In Over (Under) Estimated	(2)	233,438	124,476	(555)	24,540	(2,364)	379,533

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, 2018

	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		\$ 63,819,145					\$ 586,759	\$ 64,405,903
Taxes		(156)						(156)
Charges for Services		3,618,513			\$ 459	3,802,234		7,421,206
Investment Earnings		899,994			5,954		145,827	1,051,775
Fines and Forfeits	\$ (154)	134,941						134,787
Capital Contributions		78,692						78,692
Sale of Documents, Merchandise and Property		1,091,396			271,428	16,130		1,378,954
Rentals, Leases and Royalties		11,496					121,837	133,333
Grants, Contracts, and Donations		2,624,864			9,463	2,988		2,637,315
Transfers-in		6,656,171	\$ 656,562	\$ 2,200,000			343	9,513,075
Capital Asset Sale Proceeds		23,109						23,109
Federal Indirect Cost Recoveries		4,714,376						4,714,376
Miscellaneous		41,670						41,670
Federal			45,447,009					45,447,009
Total Revenues & Transfers-In	(154)	83,714,210	46,103,571	2,200,000	287,304	3,821,352	854,765	136,981,048
Less: Nonbudgeted Revenues & Transfers-In		6,682,308	415,112	2,200,000	141,290	19,118	(1,359,686)	8,098,141
Prior Year Revenues & Transfers-In Adjustments	(154)	30,840	123,653		(6,462)		(13,561)	134,316
Actual Budgeted Revenues & Transfers-In	0	77,001,062	45,564,806	0	152,477	3,802,234	2,228,012	128,748,591
Estimated Revenues & Transfers-In	2	77,370,711	44,910,000		155,500	3,803,000	2,240,000	128,479,213
Budgeted Revenues & Transfers-In Over (Under) Estimated	(2)	(369,649)	\$ 654,806	\$ 0	(3,023)	(766)	(11,988)	\$ 269,378
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS								
Licenses and Permits		\$ 27,702					\$ (19,971)	\$ 7,731
Taxes		(138)						(138)
Charges for Services		(6,567)			\$ 459	(766)		(6,874)
Investment Earnings		(2,072)			484		6,146	4,558
Fines and Forfeits	\$ (1)	397						396
Capital Contributions		(308)						(308)
Sale of Documents, Merchandise and Property		(5,020)			(3,369)			(8,390)
Rentals, Leases and Royalties		(981)					1,837	856
Grants, Contracts, and Donations		(1,183)			(597)			(1,780)
Transfers-in		(6,394)	\$ 5,410					(984)
Federal Indirect Cost Recoveries		(74,399)						(74,399)
Miscellaneous	(1)	(684)						(685)
Federal		(300,000)	649,396					349,396
Budgeted Revenues & Transfers-In Over (Under) Estimated	(2)	(369,649)	\$ 654,806	\$ 0	(3,023)	(766)	(11,988)	\$ 269,378

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, 2019

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	\$ 5,058,340		\$ 1,579,188	\$ 4,508,744	\$ 7,228,753	\$ 11,442,131	\$ 4,685,788	\$ 8,162,112	\$ 42,665,057
Hourly Wages			28						28
Employee Benefits	1,764,912		621,446	1,745,402	2,856,267	5,713,006	1,857,016	3,369,720	17,927,770
Personal Services-Other	6,100						(6,603)		(503)
Total	<u>6,829,352</u>		<u>2,200,663</u>	<u>6,254,147</u>	<u>10,085,020</u>	<u>17,155,137</u>	<u>6,536,201</u>	<u>11,531,832</u>	<u>60,592,352</u>
Operating Expenses									
Other Services	4,185,707	\$ 433,198	719,308	251,623	75,637	2,419,147	360,255	7,104,763	15,549,639
Supplies & Materials	2,284,867	148,647	337,941	559,613	356,191	1,237,511	430,387	1,020,800	6,375,958
Communications	718,805	250	49,401	98,742	158,102	390,873	185,255	228,020	1,829,448
Travel	112,064	5,356	132,229	303,315	1,024,757	1,287,049	390,796	1,404,682	4,660,248
Rent	725,681	383,459	16,433	226,713	182,049	224,848	55,624	1,251,676	3,066,483
Utilities	12,470		12,876	193,202	10,159	429,739	267,073	51,006	976,525
Repair & Maintenance	590,395	396,577	64,966	166,928	63,892	875,259	356,642	367,190	2,881,848
Other Expenses	1,913,008	74,752	220,078	1,120,338	621,094	2,116,234	172,359	1,903,494	8,141,358
Goods Purchased For Resale	60,817		2,449				204,523		267,789
Total	<u>10,603,814</u>	<u>1,442,241</u>	<u>1,555,682</u>	<u>2,920,474</u>	<u>2,491,882</u>	<u>8,980,658</u>	<u>2,422,914</u>	<u>13,331,633</u>	<u>43,749,296</u>
Equipment & Intangible Assets									
Equipment	578	1,890	16,928	13,633	27,690	189,515	101,108	259,526	610,867
Total	<u>578</u>	<u>1,890</u>	<u>16,928</u>	<u>13,633</u>	<u>27,690</u>	<u>189,515</u>	<u>101,108</u>	<u>259,526</u>	<u>610,867</u>
Capital Outlay									
Land & Interest In Land	85,214	17,763,870							17,849,084
Buildings		1,510,597			31,155				1,541,751
Other Improvements		5,421,972				49,276			5,471,248
Total	<u>85,214</u>	<u>24,696,439</u>			<u>31,155</u>	<u>49,276</u>			<u>24,862,083</u>
Grants									
From State Sources		642,108	302,482				436,156	3,000	1,383,746
From Federal Sources	35,420	2,241,077						217,475	2,493,972
Grant To Governmental Entities		16,293				129,233		1,169,280	1,314,805
Total	<u>35,420</u>	<u>2,899,478</u>	<u>302,482</u>			<u>129,233</u>	<u>436,156</u>	<u>1,389,754</u>	<u>5,192,523</u>
Benefits & Claims									
From State Sources								1,200	1,200
Total								<u>1,200</u>	<u>1,200</u>
Transfers-out									
Fund transfers	6,192,938	691,934		92,838	53,000	6,780	1,000,000		8,037,491
Total	<u>6,192,938</u>	<u>691,934</u>		<u>92,838</u>	<u>53,000</u>	<u>6,780</u>	<u>1,000,000</u>		<u>8,037,491</u>
Debt Service									
Loans				14,521					14,521
Total				<u>14,521</u>					<u>14,521</u>
Post Employment Benefits									
Other Post Employment Benefits	1,618						87		1,705
Employer Pension Expense	63,953						14,739		78,692
Total	<u>65,571</u>						<u>14,826</u>		<u>80,397</u>
Total Expenditures & Transfers-Out	<u>\$ 23,812,887</u>	<u>\$ 29,731,982</u>	<u>\$ 4,075,755</u>	<u>\$ 9,295,613</u>	<u>\$ 12,688,746</u>	<u>\$ 26,510,598</u>	<u>\$ 10,511,205</u>	<u>\$ 26,513,944</u>	<u>\$ 143,140,731</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
State Special Revenue Fund	\$ 17,916,575	\$ 17,059,442	\$ 3,133,418	\$ 8,609,911	\$ 9,902,978	\$ 12,854,961	\$ 9,807,262	\$ 13,591,794	\$ 92,876,342
Federal Special Revenue Fund	515,436	11,960,159	942,337	685,702	2,785,768	13,655,638	439,011	12,479,628	43,463,680
Capital Projects Fund		712,380							712,380
Enterprise Fund							264,931		264,931
Internal Service Fund	3,746,494							442,522	4,189,016
Permanent Fund	1,634,381								1,634,381
Total Expenditures & Transfers-Out	<u>23,812,887</u>	<u>29,731,982</u>	<u>4,075,755</u>	<u>9,295,613</u>	<u>12,688,746</u>	<u>26,510,598</u>	<u>10,511,205</u>	<u>26,513,944</u>	<u>143,140,731</u>
Less: Nonbudgeted Expenditures & Transfers-Out	5,721,166	1,092,378	194,394	181,429	425,299	3,061,033	202,390	2,293,623	13,171,712
Prior Year Expenditures & Transfers-Out Adjustments	<u>(21,605)</u>	<u>(7,631)</u>	<u>(7,777)</u>	<u>(10,205)</u>	<u>(12,056)</u>	<u>144,446</u>	<u>2,289</u>	<u>(4,692)</u>	<u>82,768</u>
Actual Budgeted Expenditures & Transfers-Out	18,113,326	28,647,235	3,889,139	9,124,389	12,275,503	23,305,120	10,306,526	24,225,013	129,886,251
Budget Authority	19,958,253	107,012,989	4,061,427	9,387,977	12,458,594	26,154,053	12,085,213	37,387,106	228,505,612
Unspent Budget Authority	<u>\$ 1,844,927</u>	<u>\$ 78,365,754</u>	<u>\$ 172,288</u>	<u>\$ 263,588</u>	<u>\$ 183,091</u>	<u>\$ 2,848,933</u>	<u>\$ 1,778,687</u>	<u>\$ 13,162,093</u>	<u>\$ 98,619,361</u>
UNSPENT BUDGET AUTHORITY BY FUND									
State Special Revenue Fund	\$ 1,130,776	\$ 51,988,311	\$ 21,523	\$ 230,114	\$ 58,918	\$ 1,139,295	\$ 1,581,311	\$ 4,326,676	\$ 60,476,924
Federal Special Revenue Fund	638,063	24,744,552	150,765	33,474	124,173	1,709,638	169,635	8,752,517	36,322,817
Capital Projects Fund		1,632,891							1,632,891
Enterprise Fund							27,741		27,741
Internal Service Fund	76,088							82,900	158,987
Unspent Budget Authority	<u>\$ 1,844,927</u>	<u>\$ 78,365,754</u>	<u>\$ 172,288</u>	<u>\$ 263,588</u>	<u>\$ 183,091</u>	<u>\$ 2,848,933</u>	<u>\$ 1,778,687</u>	<u>\$ 13,162,093</u>	<u>\$ 98,619,361</u>

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-5

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Administration	Capital Outay	Communication & Education Division	Department Management	Enforcement Division	Fisheries Division	Parks Division	Wildlife Division	Total
Personal Services									
Salaries	\$ 4,833,032		\$ 1,521,787	\$ 4,451,369	\$ 6,865,422	\$ 11,660,296	\$ 4,638,194	\$ 7,800,818	\$ 41,770,918
Hourly Wages						260			260
Employee Benefits	1,614,969		545,425	1,570,875	2,492,056	5,163,512	1,669,528	2,960,302	16,016,665
Personal Services-Other	4,923						(201)		4,722
Total	<u>6,452,924</u>		<u>2,067,212</u>	<u>6,022,244</u>	<u>9,357,477</u>	<u>16,824,068</u>	<u>6,307,521</u>	<u>10,761,119</u>	<u>57,792,566</u>
Operating Expenses									
Other Services	3,946,283	\$ 847,331	677,608	275,906	46,555	1,580,777	362,733	6,817,454	14,554,646
Supplies & Materials	2,044,747	132,957	300,071	402,738	563,148	1,465,768	322,862	994,997	6,227,287
Communications	836,235	3,275	198,980	113,015	191,288	441,188	194,751	241,506	2,220,238
Travel	157,762	8,422	139,956	296,625	885,313	1,243,564	366,007	1,268,745	4,366,394
Rent	861,875	220,231	14,241	225,773	171,157	237,630	64,511	1,538,414	3,333,832
Utilities	11,591		10,900	183,168	8,054	402,518	281,500	48,131	945,861
Repair & Maintenance	703,812	410,617	34,996	163,788	70,954	752,051	392,810	434,110	2,963,138
Other Expenses	1,717,794	45,352	261,317	1,225,117	601,906	2,258,715	157,363	2,057,720	8,325,284
Goods Purchased For Resale	76,866		5,644	2,000	71	175	193,744		278,500
Total	<u>10,356,965</u>	<u>1,668,186</u>	<u>1,643,711</u>	<u>2,888,129</u>	<u>2,538,447</u>	<u>8,382,387</u>	<u>2,336,279</u>	<u>13,401,076</u>	<u>43,215,180</u>
Equipment & Intangible Assets									
Equipment	37,036		24,831	30,078	129,677	622,265	595,408	95,774	1,535,070
Total	<u>37,036</u>		<u>24,831</u>	<u>30,078</u>	<u>129,677</u>	<u>622,265</u>	<u>595,408</u>	<u>95,774</u>	<u>1,535,070</u>
Capital Outlay									
Land & Interest In Land		17,687,412							17,687,412
Buildings	86,037	674,283					(919)		759,401
Other Improvements		4,306,406					(12,582)		4,293,824
Total	<u>86,037</u>	<u>22,668,100</u>					<u>(13,500)</u>		<u>22,740,637</u>
Grants									
From State Sources		570,421	209,977			18,903	392,977	6,000	1,198,277
From Federal Sources	62,123	2,299,285				23,000		65,775	2,450,183
Grant To Governmental Entities						53,350		1,075,440	1,128,790
Total	<u>62,123</u>	<u>2,869,705</u>	<u>209,977</u>			<u>95,253</u>	<u>392,977</u>	<u>1,147,215</u>	<u>4,777,250</u>
Benefits & Claims									
From State Sources								4,024	4,024
Total								<u>4,024</u>	<u>4,024</u>
Transfers-out									
Fund transfers	3,909,239	2,441,450		139,388	53,000	3,189	1,261,750		7,808,016
Total	<u>3,909,239</u>	<u>2,441,450</u>		<u>139,388</u>	<u>53,000</u>	<u>3,189</u>	<u>1,261,750</u>		<u>7,808,016</u>
Debt Service									
Loans				23,373					23,373
Total				<u>23,373</u>					<u>23,373</u>
Post Employment Benefits									
Other Post Employment Benefits	1,363						10		1,372
Employer Pension Expense	26,496						532		27,028
Total	<u>27,859</u>						<u>542</u>		<u>28,400</u>
Total Expenditures & Transfers-Out	<u>\$ 20,932,184</u>	<u>\$ 29,647,441</u>	<u>\$ 3,945,731</u>	<u>\$ 9,103,212</u>	<u>\$ 12,078,601</u>	<u>\$ 25,927,162</u>	<u>\$ 10,880,976</u>	<u>\$ 25,409,210</u>	<u>\$ 137,924,516</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund						\$ 243			\$ 243
State Special Revenue Fund	\$ 15,333,951	\$ 14,934,860	\$ 2,949,555	\$ 8,449,470	\$ 9,408,510	12,443,396	\$ 10,257,680	\$ 12,883,686	86,661,108
Federal Special Revenue Fund	744,788	14,642,853	996,176	653,742	2,670,091	13,483,524	399,340	12,148,727	45,739,240
Capital Projects Fund		69,728							69,728
Enterprise Fund							223,956		223,956
Internal Service Fund	3,342,267							376,796	3,719,063
Permanent Fund	1,511,178								1,511,178
Total Expenditures & Transfers-Out	<u>20,932,184</u>	<u>29,647,441</u>	<u>3,945,731</u>	<u>9,103,212</u>	<u>12,078,601</u>	<u>25,927,162</u>	<u>10,880,976</u>	<u>25,409,210</u>	<u>137,924,516</u>
Less: Nonbudgeted Expenditures & Transfers-Out	3,118,666	2,782,660	301,840	178,605	436,311	3,087,949	492,299	2,247,346	12,645,676
Prior Year Expenditures & Transfers-Out Adjustments	367,808	(7,085)	(33,468)	8,925	(867)	5,840	1,358	(66,133)	276,378
Actual Budgeted Expenditures & Transfers-Out	<u>17,446,710</u>	<u>26,871,866</u>	<u>3,677,359</u>	<u>8,915,682</u>	<u>11,643,156</u>	<u>22,833,373</u>	<u>10,387,320</u>	<u>23,227,996</u>	<u>125,002,462</u>
Budget Authority	19,665,095	97,482,904	3,980,975	9,086,911	11,947,496	26,289,506	12,407,229	33,662,875	214,522,992
Unspent Budget Authority	<u>\$ 2,219,385</u>	<u>\$ 70,611,038</u>	<u>\$ 303,616</u>	<u>\$ 171,229</u>	<u>\$ 304,340</u>	<u>\$ 3,456,133</u>	<u>\$ 2,019,910</u>	<u>\$ 10,434,879</u>	<u>\$ 89,520,530</u>
UNSPENT BUDGET AUTHORITY BY FUND									
State Special Revenue Fund	\$ 1,415,092	\$ 47,856,270	\$ 191,965	\$ 128,106	\$ 33,076	\$ 996,609	\$ 1,817,473	\$ 4,725,312	\$ 57,163,903
Federal Special Revenue Fund	764,209	20,624,496	111,651	43,123	271,264	2,459,524	166,280	5,673,947	30,114,493
Capital Projects Fund		2,130,272							2,130,272
Enterprise Fund							36,157		36,157
Internal Service Fund	40,084							35,621	75,705
Unspent Budget Authority	<u>\$ 2,219,385</u>	<u>\$ 70,611,038</u>	<u>\$ 303,616</u>	<u>\$ 171,229</u>	<u>\$ 304,340</u>	<u>\$ 3,456,133</u>	<u>\$ 2,019,910</u>	<u>\$ 10,434,879</u>	<u>\$ 89,520,530</u>

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, 2019

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 collections due to a tribe for licenses sold on their behalf.

2. General Fund Balance

A beginning negative fund balance in the General Fund does not indicate overspent appropriation authority. This balance reflects the results of the activity of the department and not the fund balance of the statewide General Fund. The department had authority to pay obligations from the statewide General Fund within its appropriation limits during fiscal year ended June 30, 2017. There were a few small transactions related to prior year adjustments which is reflected in the financial schedules for the fiscal year ended June 30, 2018 and 2019.

3. Direct Entries to Fund Equity

Direct entries to fund equity in the General Fund, State Special Revenue Fund, Federal 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, and (2) the payment or cancellation of A-Accruals from a previous period that was originally accrued at least two fiscal years prior.

Direct entries to fund equity in the General Fund, Federal Special Revenue Fund and the Permanent Fund are corrections of errors from a previous period that occurred at least two fiscal years prior.

Direct entries to fund equity in the Enterprise and Internal Service Funds are due to mandated entries by the Governmental Accounting Standards Board (GASB) in conjunction with the requirement to address accounting and financial reporting for pensions and other post-employment benefits (OPEB).

4. Unspent Budget Authority

- ♦ **Administration Program** – The Administration program had unspent budget authority of \$2.2 million and \$1.8 million at June 30, 2018 and June 30, 2019 respectively. The unspent authority in FY18 and FY 19 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 \$70.6 million and \$78.3 million at June 30, 2018 and June 30, 2019 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, 2019, there was approximately \$4.6 million of contractual commitments for engineering and construction of various capital projects.
- ♦ **Fisheries Division** – The Fisheries Division had unspent budget authority of \$3.5 million and \$2.8 million at June 30, 2018 and June 30, 2019 respectively. The unspent authority for FY18 and FY19 includes contracts and grants spanning more than one year and lower federal Sportfish Restoration appropriation when compared to the state budget authority.
- ♦ **Parks Division** – The Parks Division had unspent budget authority of \$2.0 million and \$1.8 million at June 30, 2018 and June 30, 2019 respectively. The majority of the unspent authority for FY18 and FY19 is from a contract spanning more than one year and voluntary budget reductions to help manage cash flows for state special revenue funds.
- ♦ **Wildlife Division** – The Wildlife Division had unspent budget authority of \$10.4 million and \$13.1 million at June 30, 2018 and June 30, 2019. The unspent authority for FY18 and FY19 includes excess hunting access authority which was held to manage cash flows within the fund and other operating savings within the division and an increase in the availability of federal grants and contracts spanning more than one year.

5. Transfers-Out

The Transfers-Out category represents the transfer of money to various funds internally or other agencies within the State of Montana. Internal transfers consist of overhead assessed to state special revenue funds, distribution of investment earnings from permanent funds to the funds that are appropriated to spend the earnings, and internal grant programs. Transfers to other agencies include legislatively mandated transfers and contractual agreements with other state agencies.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

B-1

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, 2019, and 2018, and the related notes to the financial schedules, and have issued our report thereon dated May 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered the department's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's 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's 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's 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's 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

May 21, 2020

DEPARTMENT OF FISH,
WILDLIFE & PARKS

DEPARTMENT RESPONSE

FWP.MT.GOV

THE **OUTSIDE** IS IN US ALL.

Director's Office
PO Box 200701
Helena, MT 59620-0701
(406) 444-3186
Fax (406) 444-4952
Ref: DO096-20
June 30, 2020

Angus Maciver, Legislative Auditor
Legislative Audit Division
State Capitol Room 160
Helena, MT 59620-1705

RECEIVED
July 10, 2020
LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

We have received and reviewed the financial-compliance audit report for the two fiscal years ending June 30, 2019. 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. Fish, Wildlife & Parks is committed to improve and grow in all aspects of the agency's operations and this audit has provided one mechanism to accomplish this task.

I am available to answer any questions or provide further information that you or the Legislative Audit Committee may require.

Sincerely,

Martha Williams
Director

CORRECTIVE ACTION PLAN
Fish, Wildlife and Parks Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 2019

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 implement internal controls over the calculation of its indirect cost rate to comply with federal regulations.	Yes	Concur	While the department could not recalculate the same figures identified within the finding, we agree that the process needs to be improved. The department will formally document the process to include adequate internal controls surrounding the calculation, ensure all unallowable items are provided adequate consideration, and provide formalized supporting documentation. The department will also work with our cognizant agency to determine the most appropriate course of action going forward.	Administration – Budget Bureau	Dec 2020
Recommendation #2 We recommend the Department of Fish, Wildlife & Parks implement procedures to ensure the internal auditor's time is allocated to the Wildlife and Sport Fish Restoration grant in accordance with federal regulations.	Yes	Partially Concur	The department agrees that the internal audit position has limited tasks that are not related directly to the award that was approved by the US. Fish and Wildlife Service. However, we strongly believe the ineligible hours are minimal and still benefit the grant program as a whole. The department will work with US Fish and Wildlife Service to determine the most appropriate course of action since this is an active grant award, which expires 6/30/20. Effective FY 2021, this position will be included in the indirect cost pool.	Administration – Federal Aid and Compliance Bureau	Fall 2020
Recommendation #3 We recommend the Department of Fish, Wildlife & Parks either implement new procedures, or enforce its current procedures, to ensure the	Yes	Concur	The normal processing procedures for aircraft usage and fleet usage needs to be reviewed to ensure adequate review for allowable costs is considered. In coordination with key department personnel, we will develop alternative review processes surrounding these functions.	Administration – Accounting Bureau and Centralized Services Bureau	Fall 2020

allowability of vehicle and aircraft expenditures charged to the Wildlife and Sport Fish Restoration grant programs.	No	Concur	<p>1. Duplicating Center – The Duplicating Center began over 20 years ago and over time the volume of printing required by the department has declined. As technology continues to evolve the way we do business, this trend is expected to continue. Despite the increases in fees in the last four years, revenues have not been covering the operating costs of the fund. Therefore, the Department has made the fiscally responsible decision to close the print shop effective 6/30/2020.</p> <p>2. DFWP Aircraft - During the 2019 Legislative session, the Department received approval to participate in the InterCap loan program, which will allow the Department to plan for these large expenditures as necessary, assess fees commensurate with costs, and manage working capital as required by law.</p> <p>3. Equipment Enterprise - During the 2019 Legislative session, the Department received approval to participate in the InterCap loan program and also revamped the rate structure to align more closely with the State Motor Pool. These two changes will allow the Department to stabilize the cash inflows and outflows more effectively and maintain appropriate working capital balances going forward.</p>	Administration Division – Accounting Bureau	Summer 2020
<p>Recommendation #4</p> <p>We recommend the Department of Fish, Wildlife & Parks comply with state law and policy governing its internal service funds by:</p> <p>A. Charging fees commensurate with costs, and</p> <p>B. Maintaining its working capital within 60 days.</p>					Fully Implemented
					Fully Implemented