



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL COMPLIANCE AUDIT

Department of Fish, Wildlife & Parks

*For the Two Fiscal Years Ended
June 30, 2021*

SEPTEMBER 2022

LEGISLATIVE AUDIT
DIVISION

21-18

FINANCIAL COMPLIANCE AUDITS

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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, 2021, was issued June 21, 2022. The Single Audit Report for the two fiscal years ended June 30, 2023, will be issued by March 31, 2024.

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LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

September 2022

The Legislative Audit Committee
of the Montana State Legislature:

The enclosed report documents the results of our financial compliance audit of the Department of Fish, Wildlife & Parks for the two fiscal years ended June 30, 2021. Included in this report are two recommendations related to internal control deficiencies over the Wildlife Restoration and Basic Hunter Education grant and operating expenditures, and one recommendation related to internal service fund fees.

The department's written response to the audit recommendations is included in the audit report on page C-1. We thank the director and his 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

	<u>Region</u>	<u>Name</u>	<u>City</u>	<u>Term Expires</u>
Montana Fish & Wildlife Commission	6	Lesley Robinson, Chair	Dodson	January 1, 2023
	1	Patrick Tabor, Vice Chair	Whitefish	January 5, 2025
	3	Pat Byorth	Bozeman	January 1, 2023
	5	Brian Cebull	Billings	January 5, 2025
	7	William Lane	Ismay	January 1, 2025
	2	Jana Waller	Lolo	January 1, 2023
	4	KC Walsh	Martinsdale	January 5, 2025

	<u>District</u>	<u>Name</u>	<u>City</u>	<u>Term Expires</u>
State Parks & Recreation Board	2	Russ Kipp, Chair	Polaris	January 5, 2025
	5	Scott Brown, Vice Chair	Billings	January 1, 2023
	1	Jody Loomis	Helena	January 5, 2025
	4	Kathy McLane	Glendive	January 5, 2025
	3	Liz Whiting	Great Falls	January 1, 2023

Administrative Officials

Hank Worsech, Director (Effective January 2021)

Martha Williams, Director (Through December 2021)

Dustin Temple, Deputy Director

Quentin Kujala, Chief of Staff

Mike Volesky, Chief of Operations

Robin Graham, Administrator, Operations and Financial Services Division

Ken McDonald, Administrator, Wildlife Division

Eileen Ryce, Administrator, Fisheries Division

Dave Loewen, Administrator, Enforcement Division

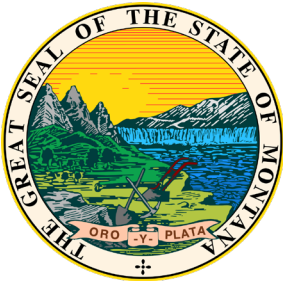
Hope Stockwell, Administrator, Parks and Outdoor Recreation Division

Greg Lemon, Administrator, Communication and Education Division

Jessica Plunkett, Administrator, Technology Services Division

For additional information concerning the Department of Fish,
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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL COMPLIANCE AUDIT

Department of Fish, Wildlife & Parks
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2021

A report to the Montana Legislature

BACKGROUND

The Department of Fish, Wildlife & Parks manages Montana's fish, wildlife, parks, and recreational resources. The seven-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 State Parks and Recreation Board sets park regulations, approves property transactions made by the Parks and Outdoor Recreation 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. These revenues are used primarily for personal services expenditures, department operations, and land acquisitions.

In fiscal years 2020 and 2021, the Department of Fish, Wildlife & Parks (department) received approximately \$49 million and \$43 million, respectively, in federal revenue. One of the primary sources of these federal funds comes from the Sport Fish and Wildlife Restoration grant programs, 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. The department's revenues slightly increased during the COVID-19 pandemic, as outdoor activities, such as fishing and hunting, saw increased popularity. Our report contains three recommendations to the department related to internal service funds and internal control deficiencies.

AUDITOR'S OPINION (page A-1): UNMODIFIED

We found the department's financial schedules and note disclosures presented fairly the department's activity in all material respects and issued an unmodified opinion. This means the reader can rely on the information in the underlying financial records.

For the full context of the department's financial activity, see the financial schedules and notes beginning on page A-5.

RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the department: 3

To the legislature: 0

In this report, we determined the implementation status of recommendations in the prior audit:

Fully Implemented: 0

Partially Implemented: 2

Not Implemented: 2

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

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RECOMMENDATION #1 (page 8):

We recommend the Department of Fish, Wildlife & Parks implement procedures to ensure the internal auditor's time is allocated to the Wildlife Restoration and Basic Hunter Education grant according to the proportionate benefit received, and charge internal audit salary costs to the grant for time that is necessary, reasonable, and allocable.

Department response: **Partially Concur**

RECOMMENDATION #2 (page 9):

We recommend the Department of Fish, Wildlife & Parks comply with state law and policy governing its internal service funds by charging fees commensurate with costs and maintaining its working capital within 60 days.

Department response: **Concur**

RECOMMENDATION #3 (page 10):

We recommend the Department of Fish, Wildlife & Parks enforce its current control procedures to require review by a program supervisor of all expenditures.

Department response: **Concur**

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):

In this report, we identified the following:
Material Weaknesses in Internal Control: 0
Significant Deficiencies in Internal Control: 0
Material Non-Compliance: 0
Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

Chapter I – Introduction and Background

What We Did

We performed a financial-compliance audit of the Department of Fish, Wildlife & Parks (department) for the two fiscal years ended June 30, 2021. 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, 2021, fairly present the results of operations and changes in fund equity 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 on licensing and permitting activities and federal revenues. 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.

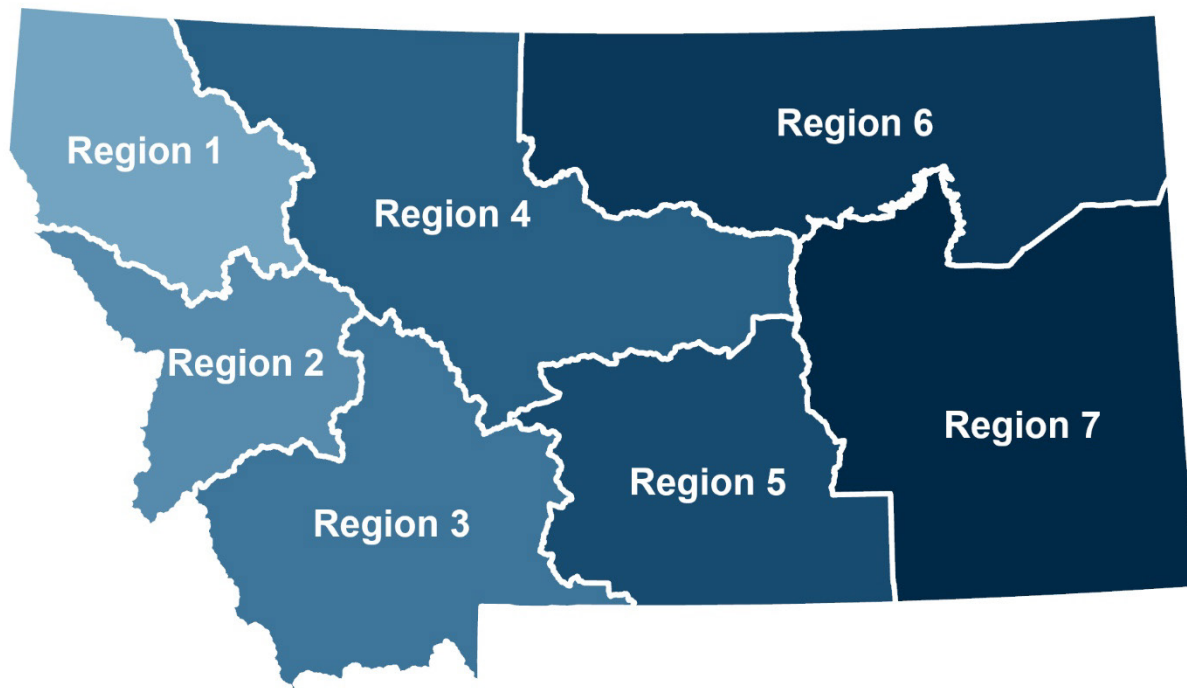
In following §17-8-101(6), MCA, we reviewed the fees, charges, and the fund equity of the department's four internal service funds. These funds include the department's printing operations, aircraft fleet, vehicle fleet, and the department's warehouse which stores official uniform items worn by some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

Background

The department's mission is to provide for the stewardship of Montana's fish, wildlife, parks, and recreational resources 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 in Kalispell, Missoula, Bozeman, Billings, Great Falls, Glasgow, and Miles City. Figure 1 (see page 2) outlines the seven regions. There are also four area offices in Havre, Lewistown, Butte, and Helena and three field service offices in Dillon, Libby, and Thompson Falls. Regional supervisors oversee the fish, wildlife, and recreation programs in their respective areas.

Figure 1
Fish, Wildlife & Parks Regions

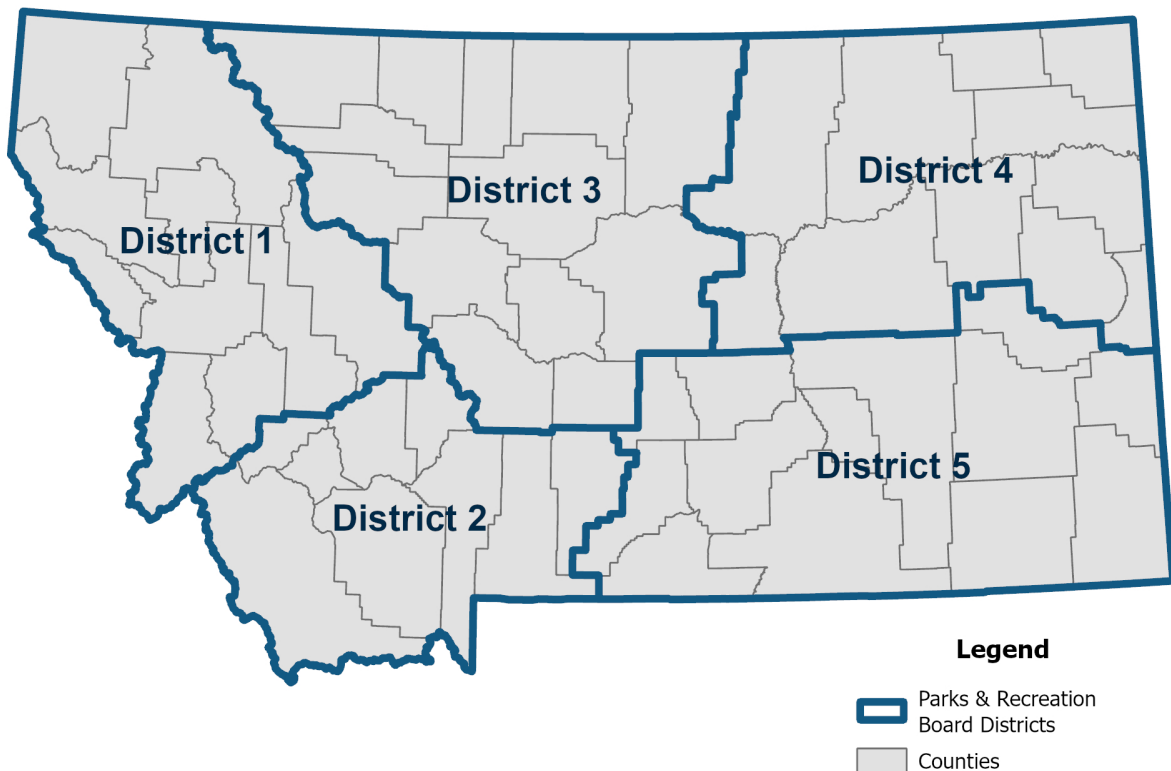


Source: Compiled by the Department of Fish, Wildlife & Parks.

The seven-member Fish & Wildlife Commission (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. The statute requires representation from seven state geographical regions. These are the same regions outlined in Figure 1.

The State Parks and Recreation Board (board) includes five members representing five districts, as outlined in Figure 2 (see page 3). These members are appointed by the governor and confirmed by the Senate. The board sets park regulations, approves property transactions, and enforces 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 2
State Parks and Recreation Board Districts



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

The department's primary funding sources are user fees, such as hunting and fishing licenses, usage fees, and federal revenues. 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.

The following paragraphs outline the department's organization. In fiscal year 2020, the department combined the Administration and Department Management divisions. Additionally, the department created the Technical Services Division. Prior to the creation of the Technical Services Division, the functions performed by this division were performed by the Administration Division.

Administration Division (132.73 FTE) manages the administration branch of the department. This branch provides consistent direction to the divisions and regions throughout the agency. The functions are centralized to provide services including accounting; 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. This division provides oversight of the Wildlife, Enforcement, Communication and Education, Fisheries, and Parks and Outdoor Recreation divisions, as well as the seven regional offices that are responsible for program implementation.

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. Staff assigned to the Administration Division perform work for this program.

Communication and Education Division (26.50 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.

Enforcement Division (122.61 FTE) is responsible for enforcing laws and regulations regarding fish, wildlife, and parks, public education, and enhancing relationships with landowners, recreational users, and the public.

Fisheries Division (190.53 FTE) is responsible for preserving and perpetuating all aquatic species and their ecosystem and meeting public demand for fishing opportunities.

Parks and Outdoor Recreation Division (170.52 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. The Parks and Outdoor Recreation Division is also responsible for managing the fishing access site program.

Technical Services Division (37.00 FTE) is responsible for the department's technology infrastructure and website frameworks, software development, technology related oversight and guidance to ensure business alignment, collection, analysis, and dissemination of biological and geographical information. The division strives to execute its mission using industry best practices, well-trained staff, and an in-depth understanding of the agency's business processes to deliver solutions cost-effectively and efficiently.

Wildlife Division (104.35 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 indirect costs rates, charging of the internal auditor's time to the Wildlife and Sport Fish Restoration (WSFR) grant programs, internal controls over vehicle and aircraft fleet expenditures, and internal service funds. The department partially implemented two recommendations and did not implement two recommendations.

During the prior audit, we identified that the department lacked internal controls over calculating indirect cost rate as required by federal regulations. We reviewed the calculations for fiscal years 2020 and 2021. The indirect cost rate for both years included several cost items not allowed to be included in the calculations per federal regulations. The inclusion of cost items not allowed did not affect the

FY21 rate. Although the department included cost items not allowed in calculating their rates, and the rate was incorrect for FY20, the department implemented internal controls over the process. Based on this information, we determined the recommendation was partially implemented. We make no further recommendation, as the department implemented new procedures for calculating the indirect cost rate for FY22 to address this issue. The status of the remaining prior audit recommendations are addressed in the table below.

Table 1
Prior Audit Recommendations

Prior Audit Recommendation #	Prior Audit Recommendation	Status	Current Audit Recommendation #	Page #
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.	Not implemented	1	8
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.	Not implemented	3	10
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.	Partially implemented	2	9

Source: Compiled by the Legislative Audit Division.

Chapter II – Findings and Recommendations

Wildlife Restoration and Basic Hunter Education

The Department of Fish, Wildlife & Parks (department) administers the Wildlife Restoration and Basic Hunter Education Program (program). This program, collectively with the Sport Fish Restoration Program, is referred to as the Wildlife and Sport Fish Restoration grant programs (WSFR). 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. 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 2020 and 2021, the department expended \$28,101,867 and \$28,879,856, respectively, in federal funds of the WSFR programs.

Allowable Activity

An employee's time charged to the Wildlife Restoration and Basic Hunter Education grant resulted in federal questioned costs.

The department obtained an administrative grant from the USFWS related to the Wildlife Restoration and Basic Hunter Education grant that included all of the internal auditor's salary. The grant agreement indicates that the internal auditor is responsible for assessing agency functions to ensure the department complies with all requirements necessary to maintain ongoing eligibility relative to the grant programs. We reviewed time charged to the grant for activity performed by the internal auditor and found that 40 percent of the internal auditor's time was charged to the federal grant. However, the employee did not track time in a way that allowed us to determine what portion of time benefited the grant and was allowable to be charged to the grant. While this is significantly less than the 100 percent charged in the prior audit report, it was still not documented in sufficient detail to determine if it was allocable to the program.

Federal regulation requires the department establish and maintain effective internal control over the federal award. This internal control provides reasonable assurance that the department is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Expenditures are allocable to a federal award when the goods or services are chargeable to the award for the relative benefits received. When costs benefit more than one program, they can be distributed proportionately using a reasonable method. However, the costs must be necessary and reasonable for performance of the federal program and be adequately documented.

While the internal auditor performed two audits directly related to the grant, the internal auditor also performed duties not directly related to the grant. Additionally, the time frame for time charged to the grant and the timing of the two audits did not align.

The internal auditor's responsibilities include assessing fiscal and programmatic functions to ensure that the department complies with all requirements necessary to maintain ongoing eligibility relative to the Wildlife Restoration and Basic Hunter Education grant program. The internal auditor also performs duties, such as internal audits for other department activities, that are not associated with the grant.

Based on the department's belief that all the time charged by the internal auditor was eligible, they believed it was not necessary to track the time in a way that supported its allocation to the grant.

The department did not have internal control procedures to ensure the portion of the internal auditor's salary and benefit costs charged to the Wildlife Restoration and Basic Hunter Education grant program benefitted the program. Therefore, the department cannot demonstrate compliance with federal regulations, resulting in questioned costs. We question \$28,105, the entire amount of the internal auditor's salary and benefit expenditures charged to the grant in FY20. Based on this work, we determined the prior audit recommendation was not implemented.

RECOMMENDATION #1

We recommend the Department of Fish, Wildlife & Parks:

- A. *Implement procedures to ensure the internal auditor's time is allocated to the Wildlife Restoration and Basic Hunter Education grant according to the proportionate benefit received.*
 - B. *Charge internal audit salary costs to the grant for time that is necessary, reasonable, and allocable.*
-

Internal Service Funds

The department did not maintain a reasonable fund balance and fees were not commensurate with costs in two of its internal service funds.

The department maintains internal service funds for services provided centrally to all departmental programs. These internal service funds include the Fish & Game (F&G) Warehouse Inventory fund which accounts for the uniforms worn by some department staff, and the Aircraft fund, which accounts for the aerial vehicles that the department owns and operates.

State law requires fees and charges for services deposited in the internal service fund type be based upon commensurate costs. As part of our review, we evaluated whether fees were commensurate with costs in each internal service funds. We also considered the reasonableness of the fund equity balances, including assessing each fund's working capital balance. 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 to bring the working capital to a reasonable balance.

During our testing, we determined that the department was not charging fees commensurate with costs in the F&G Warehouse Inventory in FY20 and in the Aircraft fund in FY21. Additionally, the fund equity balance was not reasonable in either fund in FY21. The department stated that the F&G Warehouse Inventory internal service fund saw less demand due to the COVID-19 pandemic. As for the Aircraft internal service fund, the department stated that they tried to acquire a helicopter in FY20, and no helicopters met their quality standards. In FY21, a helicopter was available that met their standards, and a purchase was made. The department stated they are improving their internal rate setting process through application of experiential knowledge and greater collaboration from those impacting the process. In addition, increased frequency in their fund analysis will allow them to more quickly make the necessary changes needed to comply with 60-day working capital requirement. Table 2 summarizes the results of testing of these funds.

Table 2
Fish, Wildlife & Parks Internal Service Fund Analysis

Internal Service Fund	Fees Commensurate With Costs		Number of days of Working Capital		Reasonable Fund Equity Balance	
	FY20	FY21	FY20	FY21	FY20	FY21
F & G Warehouse Inventory	No	Yes	4	-73	Yes	No
Aircraft	Yes	No	62	-61	Yes	No

Source: Compiled by the Legislative Audit Division.

Because the department did not charge fees commensurate with costs, maintain a working capital within the 60-day allowance, or had a negative working capital fund balance, it is not in compliance with state law or state accounting policy for the two fiscal years ended June 30, 2021. The prior audit recommendation was partially implemented, as the department resolved the issues resulting in noncompliance reported in the prior audit report for the Duplicating Center and Equipment Enterprise internal service funds.

RECOMMENDATION #2

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.*
- B. *Maintaining its working capital within 60 days.*

Fleet Expenditures

Several fleet expenditures were not approved by program supervisors.

In the prior audit report, we recommended the department implement new procedures, or enforce its current expenditure control procedures to ensure the allowability of vehicle and aircraft fleet expenditures charged to the Wildlife and Sport Fish Restoration grant programs.

The review and approval by program supervisor is necessary to determine whether the expenditure is accurate and allowable. During the current audit, we sampled 36 operating expenditure transactions and identified 18 expenditures that were not approved by a program supervisor related to the department's fleet usage. Five of these expenditures were charged to the Wildlife and Sport Fish Restoration grant programs. Fleet expenditures were approximately \$1.4 million and \$1.7 million in FY21 and FY22, respectively.

Department personnel stated they began requiring the program supervisor's approval on fleet operating expenditures in January 2022. We did not test expenditures after this period, as the current audit does not cover this period.

RECOMMENDATION #3

We recommend the Department of Fish, Wildlife & Parks enforce its current control procedures to require review by a program supervisor of all expenditures.

Independent Auditor's Report and Department Financial Schedules

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



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

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, 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, 2021, and 2020, 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, 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, 2021, and June 30, 2020, 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, 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 of the Department of Fish, Wildlife & Parks for each of the fiscal years ended June 30, 2021, and 2020, in conformity with the basis of accounting described in Note 1.

Emphasis of Matters

As discussed in Note 1 – Basis of Presentation, the financial schedule format was adopted by the Legislative Audit Committee. On June 16, 2020, the Committee approved a change in format to remove the presentation of revenue estimates from the Schedule of Total Revenues & Transfers-In. Our opinion is not modified with respect to this matter.

In fiscal year 2020, the state adopted Governmental Accounting Standards Board Statement No. 84 – Fiduciary Activities. Implementation of the standard necessitated elimination of the presentation of property held in trust, and its additions and reductions, on the Schedule of Changes in Fund Equity. Our opinion is not modified with respect to this matter.

In fiscal year 2020, the department combined the Administration and Department Management divisions and created the Technical Services Division. Staff in the Administration division formerly performed the activities performed by staff in the Technical Services Division. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2022, 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

June 23, 2022

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Permanent Fund
FUND EQUITY: July 1, 2020	\$ 0	\$ 146,022,463	\$ (37,966)	\$ (8,021)	\$ 468,743	\$ 8,227,306	\$ 1,216	\$ 54,878,384
ADDITIONS								
Budgeted Revenues & Transfers-In		90,096,841	43,170,327		212,653	3,878,558		2,022,909
Nonbudgeted Revenues & Transfers-In		7,342,165	479,982	50,000	171,892	24,595	851,009	(715,052)
Prior Year Revenues & Transfers-In Adjustments		(295,087)	(1,039)		5,941	8,340	(2)	(15,065)
Direct Entries to Fund Equity	398,625	12,032,565	10	940,355		(539)		522,445
Total Additions	398,625	109,176,484	43,649,281	990,355	390,487	3,910,953	851,007	1,815,237
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	398,625	97,926,479	39,577,108	1,004,322	480,207	4,869,292		
Nonbudgeted Expenditures & Transfers-Out		5,457,075	4,429,206		9,012	(736,804)	817,510	1,518,381
Prior Year Expenditures & Transfers-Out Adjustments		151,978	(137,851)		736	(5,294)	1,216	
Total Reductions	398,625	103,535,532	43,868,463	1,004,322	489,956	4,127,194	818,726	1,518,381
FUND EQUITY: June 30, 2021	\$ 0	\$ 151,663,416	\$ (257,147)	\$ (21,988)	\$ 369,274	\$ 8,011,065	\$ 33,497	\$ 55,175,240

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-11.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Permanent Fund
FUND EQUITY: July 1, 2019	\$ 0	\$ 126,286,956	\$ (37,197)	\$ 1,417,892	\$ 750,343	\$ 8,733,711	\$ 0	\$ 51,537,431
ADDITIONS								
Budgeted Revenues & Transfers-In		84,481,105	48,972,508		188,562	3,655,191		2,063,181
Nonbudgeted Revenues & Transfers-In		6,758,193	469,313	(1,429,245)	128,878	5,515	803,997	2,238,321
Prior Year Revenues & Transfers-In Adjustments		(1,096,674)	11,534	46,854	465	3,862		(9,808)
Direct Entries to Fund Equity	283,620	11,533,309	10,081	135,396	(14,275)	9,249	102,781	622,436
Total Additions	283,620	101,675,932	49,463,435	(1,246,996)	303,631	3,673,818	906,779	4,914,130
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	283,620	78,297,814	44,378,469	178,917	477,950	5,162,581		
Nonbudgeted Expenditures & Transfers-Out		3,491,100	5,093,366		107,235	(983,578)	905,563	1,573,176
Prior Year Expenditures & Transfers-Out Adjustments		151,512	(7,632)		46	1,220		
Total Reductions	283,620	81,940,425	49,464,203	178,917	585,231	4,180,223	905,563	1,573,176
FUND EQUITY: June 30, 2020	\$ 0	\$ 146,022,463	\$ (37,966)	\$ (8,021)	\$ 468,743	\$ 8,227,306	\$ 1,216	\$ 54,878,384

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DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TOTAL REVENUES & TRANSFERS-IN BY CLASS	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Permanent Fund	Total
Licenses and Permits	\$ 77,014,768						\$ 390,635	\$ 77,405,403
Taxes	(198)							(198)
Charges for Services	4,866,812	\$ (916)		\$ 159	\$ 3,886,859			8,752,913
Investment Earnings	447,489			676			795,194	1,243,359
Fines and Forfeits	141,465							141,465
Sale of Documents, Merchandise and Property	553,576			389,383	16,742			959,701
Rentals, Leases and Royalties	21,119						105,319	126,438
Grants, Contracts, and Donations	3,193,677			269				3,193,946
Transfers-in	6,358,901	636,197	\$ 50,000				1,644	7,046,742
Capital Asset Sale Proceeds	68,884							68,884
Federal Indirect Cost Recoveries	4,427,392							4,427,392
Miscellaneous	50,032				7,892	\$ 851,007		908,931
Federal		43,013,991						43,013,991
Total Revenues & Transfers-In	97,143,919	43,649,271	50,000	390,487	3,911,493	851,007	1,292,792	147,288,969
Less: Nonbudgeted Revenues & Transfers-In	7,342,165	479,982	50,000	171,892	24,595	851,009	(715,052)	8,204,592
Prior Year Revenues & Transfers-In Adjustments	(295,087)	(1,039)		5,941	8,340	(2)	(15,065)	(296,912)
Actual Budgeted Revenues & Transfers-In	\$ 90,096,841	\$ 43,170,327	\$ 0	\$ 212,653	\$ 3,878,558	\$ 0	\$ 2,022,909	\$ 139,381,288

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DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

TOTAL REVENUES & TRANSFERS-IN BY CLASS	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Permanent Fund	Total
Licenses and Permits	\$ 69,934,051						\$ 371,617	\$ 70,305,668
Taxes	(174)							(174)
Charges for Services	3,984,131	\$ 916		\$ 521	\$ 3,656,108			7,641,676
Investment Earnings	2,416,851			8,696			3,804,176	6,225,723
Fines and Forfeits	123,519							123,519
Monetary Settlements	18,575							18,575
Capital Contributions					2,945			2,945
Sale of Documents, Merchandise and Property	515,105			300,907	5,515		3,640	825,167
Rentals, Leases and Royalties	37,802						109,109	146,911
Grants, Contracts, and Donations	2,260,195			7,782				2,267,976
Transfers-in	5,407,506	791,019	\$ (1,382,392)				3,152	4,819,285
Capital Asset Sale Proceeds	16,593							16,593
Federal Indirect Cost Recoveries	5,168,269							5,168,269
Miscellaneous	260,202					\$ 803,997		1,064,199
Federal		48,661,419						48,661,419
Total Revenues & Transfers-In	90,142,624	49,453,354	(1,382,392)	317,906	3,664,568	803,997	4,291,694	147,291,751
Less: Nonbudgeted Revenues & Transfers-In	6,758,193	469,313	(1,429,245)	128,878	5,515	803,997	2,238,321	8,974,972
Prior Year Revenues & Transfers-In Adjustments	(1,096,674)	11,534	46,854	465	3,862		(9,808)	(1,043,768)
Actual Budgeted Revenues & Transfers-In	\$ 84,481,105	\$ 48,972,508	\$ 0	\$ 188,562	\$ 3,655,191	\$ 0	\$ 2,063,181	\$ 139,360,547

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DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Administration	Capital Outlay	Communication & Education Division	Enforcement Division	Fisheries Division	Parks Division	Technical Services Division	Wildlife Division	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT									
Personal Services									
Salaries	\$ 8,006,474		\$ 1,698,388	\$ 7,400,412	\$ 11,698,659	\$ 5,260,483	\$ 2,675,003	\$ 8,707,106	\$ 45,446,525
Other Compensation				2,250					2,250
Employee Benefits	2,919,641		687,783	2,737,289	5,218,617	2,028,393	931,128	3,433,738	17,956,588
Personal Services-Other	(4,165)					(8,713)			(12,878)
Total	10,921,950		2,386,171	10,139,950	16,917,275	7,280,163	3,606,130	12,140,845	63,392,484
Operating Expenses									
Other Services	3,560,692	\$ 454,300	562,222	122,053	2,227,941	549,465	1,068,672	7,794,117	16,339,463
Supplies & Materials	2,308,045	148,468	243,194	636,906	1,450,583	422,962	476,012	1,173,491	6,859,659
Communications	332,115	44	120,024	161,387	333,709	214,401	585,808	247,520	1,995,008
Travel	159,502	1,185	40,923	1,071,317	1,196,938	368,582	8,360	1,065,535	3,912,342
Rent	1,213,773	244,130	4,785	209,936	224,465	40,223	29,459	1,375,194	3,341,965
Utilities	213,116	1,040	11,868	11,446	493,718	304,696		51,259	1,087,143
Repair & Maintenance	876,641	693,855	21,003	82,681	883,884	432,915	99,861	327,244	3,418,085
Other Expenses	4,138,621	58,040	144,488	363,025	2,207,274	148,106	22,021	2,310,729	9,392,303
Goods Purchased For Resale	83,349					242,763			326,113
Total	12,885,853	1,601,061	1,148,507	2,658,751	9,018,513	2,724,114	2,290,192	14,345,088	46,672,079
Equipment & Intangible Assets									
Equipment	(892,285)	49,632		1,019,897	452,382	84,129	12,490	1,428,820	2,155,065
Total	(892,285)	49,632		1,019,897	452,382	84,129	12,490	1,428,820	2,155,065
Capital Outlay									
Land & Interest In Land	19,998	28,295,998				(7,500)		1,157,173	29,465,669
Buildings		739,463							739,463
Other Improvements		3,644,415			40,369			38,314	3,723,098
Total	19,998	32,679,876			40,369	(7,500)		1,195,487	33,928,230
Grants									
From State Sources		913,025	145,841			422,077		15,345	1,496,287
From Federal Sources		1,938,710	30,126		35,000			43,206	2,047,042
Grant To Governmental Entities		980			117,989			1,149,462	1,268,431
Total		2,852,715	175,967		152,989	422,077		1,208,012	4,811,761
Benefits & Claims									
From State Sources								4,552	4,552
Insurance Payments	3,708		500		3,490	3,396		(969)	10,125
Total	3,708		500		3,490	3,396		3,583	14,677
Transfers-out									
Fund transfers	4,214,049	178,170		106,643	25,980		147,796		4,672,638
Total	4,214,049	178,170		106,643	25,980		147,796		4,672,638
Debt Service									
Loans	14,521							17,046	31,567
Total	14,521							17,046	31,567
Post Employment Benefits									
Other Post Employment Benefits	13,614					11,241			24,855
Employer Pension Expense	39,306					18,538			57,844
Total	52,920					29,779			82,699
Total Expenditures & Transfers-Out	\$ 27,220,714	\$ 37,361,455	\$ 3,711,145	\$ 13,925,242	\$ 26,610,998	\$ 10,536,157	\$ 6,056,609	\$ 30,338,881	\$ 155,761,199
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund					\$ 398,625				\$ 398,625
State Special Revenue Fund	\$ 21,678,380	\$ 24,378,105	\$ 3,053,819	\$ 12,175,098	12,965,168	\$ 9,419,839	\$ 5,960,818	\$ 13,904,305	103,535,532
Federal Special Revenue Fund	399,832	11,979,028	657,325	1,750,144	13,247,205	626,362	95,791	15,112,776	43,868,463
Capital Projects Fund		1,004,322							1,004,322
Enterprise Fund						489,956			489,956
Internal Service Fund	2,805,394							1,321,799	4,127,194
Custodial Fund	818,726								818,726
Permanent Fund	1,518,381								1,518,381
Total Expenditures & Transfers-Out	27,220,714	37,361,455	3,711,145	13,925,242	26,610,998	10,536,157	6,056,609	30,338,881	155,761,199
Less: Nonbudgeted Expenditures & Transfers-Out	4,178,357	1,283,682	125,014	188,998	2,958,990	224,262	13,911	2,521,166	11,494,380
Prior Year Expenditures & Transfers-Out Adjustments	51,437	(99,436)	(10,284)	64,226	52,387	(2,941)	(22,630)	(21,974)	10,786
Actual Budgeted Expenditures & Transfers-Out	22,990,920	36,177,208	3,596,415	13,672,018	23,599,621	10,314,836	6,065,328	27,839,688	144,256,034
Budget Authority	29,023,823	78,658,184	4,401,387	14,270,941	27,736,881	12,129,105	6,822,395	40,263,122	213,305,839
Unspent Budget Authority	\$ 6,032,903	\$ 42,480,976	\$ 804,972	\$ 598,924	\$ 4,137,259	\$ 1,814,269	\$ 757,067	\$ 12,423,434	\$ 69,049,805
UNSPENT BUDGET AUTHORITY BY FUND									
State Special Revenue Fund	\$ 4,001,353	\$ 29,048,105	\$ 349,688	\$ 207,102	\$ 2,032,038	\$ 1,402,192	\$ 149,836	\$ 3,893,337	\$ 41,083,652
Federal Special Revenue Fund	1,874,893	13,165,610	455,284	391,822	2,105,222	407,766	607,231	8,283,769	27,291,596
Capital Projects Fund		267,261							267,261
Enterprise Fund						4,311			4,311
Internal Service Fund	156,657							246,328	402,986
Unspent Budget Authority	\$ 6,032,903	\$ 42,480,976	\$ 804,972	\$ 598,924	\$ 4,137,259	\$ 1,814,269	\$ 757,067	\$ 12,423,434	\$ 69,049,805

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DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Administration	Capital Outlay	Communication & Education Division	Enforcement Division	Fisheries Division	Parks Division	TBD - Department Management	Technical Services Division	Wildlife Division	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT										
Personal Services										
Salaries	\$ 7,413,459		\$ 1,709,942	\$ 7,391,599	\$ 11,341,209	\$ 5,032,206		\$ 2,507,601	\$ 8,538,288	\$ 43,934,306
Employee Benefits	2,859,824		663,446	2,763,605	5,154,338	2,013,215		874,799	3,431,079	17,760,307
Personal Services-Other	10,369					21,007				31,376
Total	10,283,652		2,373,389	10,155,205	16,495,547	7,066,429		3,382,400	11,969,367	61,725,989
Operating Expenses										
Other Services	3,689,127	\$ 503,831	676,619	103,435	2,140,739	409,867		785,211	7,562,432	15,871,259
Supplies & Materials	2,128,245	180,652	290,720	477,263	1,700,709	526,147		878,810	1,223,910	7,406,455
Communications	331,036	378	235,404	186,059	224,872	263,432		623,239	229,140	2,093,560
Travel	307,699	5,364	83,085	1,045,437	1,206,561	368,996		34,702	1,145,274	4,197,118
Rent	1,117,026	240,526	9,478	180,954	308,228	47,681		64,865	1,410,217	3,378,975
Utilities	205,182		12,078	9,175	428,144	279,020			48,321	981,919
Repair & Maintenance	748,303	890,574	75,933	87,396	956,597	378,629		120,159	431,855	3,689,445
Other Expenses	4,534,021	58,962	143,468	443,817	2,285,332	123,435	\$ (259)	17,604	3,039,123	10,645,504
Goods Purchased For Resale	60,183					236,249				296,432
Total	13,120,821	1,880,286	1,526,784	2,533,535	9,251,182	2,633,455	(259)	2,524,591	15,090,272	48,560,668
Equipment & Intangible Assets										
Equipment	(1,447,539)		2,000	392,901	507,268	830,713	(180)	157	1,503,826	1,789,146
Total	(1,447,539)		2,000	392,901	507,268	830,713	(180)	157	1,503,826	1,789,146
Capital Outlay										
Land & Interest In Land	40,214	11,270,553				7,550			1,300,056	12,618,373
Buildings	26,003	465,833								491,836
Other Improvements	59	4,602,932			34,650	800				4,638,442
Total	66,276	16,339,319			34,650	8,350			1,300,056	17,748,652
Grants										
From State Sources		973,162	114,741			435,508				1,523,411
From Federal Sources	57,624	2,319,775	9,874		30,000				186,760	2,604,033
Grant To Governmental Entities					156,353			50,000	1,734,926	1,941,279
Total	57,624	3,292,937	124,615		186,353	435,508		50,000	1,921,686	6,068,723
Benefits & Claims										
From State Sources									2,250	2,250
Insurance Payments	1,031	1,000	1,031		(19)	6,782			3,000	12,825
Total	1,031	1,000	1,031		(19)	6,782			5,250	15,075
Transfers-out										
Fund transfers	4,170,868	(1,293,861)		53,044	22,137			95,188	93,478	3,140,854
Total	4,170,868	(1,293,861)		53,044	22,137			95,188	93,478	3,140,854
Debt Service										
Loans	14,521								2,781	17,302
Total	14,521								2,781	17,302
Post Employment Benefits										
Other Post Employment Benefits	1,231					673				1,904
Employer Pension Expense	29,606					13,438				43,045
Total	30,837					14,112				44,949
Total Expenditures & Transfers-Out	\$ 26,298,093	\$ 20,219,681	\$ 4,027,819	\$ 13,134,685	\$ 26,497,119	\$ 10,995,348	\$ (439)	\$ 6,052,337	\$ 31,886,716	\$ 139,111,358
EXPENDITURES & TRANSFERS-OUT BY FUND										
General Fund					\$ 283,620					\$ 283,620
State Special Revenue Fund	\$ 20,573,517	\$ 8,276,351	\$ 3,321,796	\$ 11,406,270	12,466,124	\$ 9,882,649	\$ (439)	\$ 5,922,287	\$ 10,091,872	81,940,425
Federal Special Revenue Fund	881,733	11,764,413	706,024	1,728,416	13,747,375	527,469		130,050	19,978,725	49,464,203
Capital Projects Fund		178,917								178,917
Enterprise Fund						585,231				585,231
Internal Service Fund	2,364,104								1,816,118	4,180,223
Custodial Fund	905,563									905,563
Permanent Fund	1,573,176									1,573,176
Total Expenditures & Transfers-Out	26,298,093	20,219,681	4,027,819	13,134,685	26,497,119	10,995,348	(439)	6,052,337	31,886,716	139,111,358
Less: Nonbudgeted Expenditures & Transfers-Out	4,111,354	(742,881)	170,499	257,919	2,976,808	313,693		10,555	3,088,914	10,186,862
Prior Year Expenditures & Transfers-Out Adjustments	(5,731)	9,063	(22,667)	118	101,624	52,013	(439)	16	11,148	145,146
Actual Budgeted Expenditures & Transfers-Out	22,192,470	20,953,498	3,879,987	12,876,648	23,418,687	10,629,642	0	6,041,766	28,786,653	128,779,351
Budget Authority	25,608,586	94,016,005	4,340,225	14,406,273	27,874,285	12,604,594		6,307,343	45,955,269	231,112,580
Unspent Budget Authority	\$ 3,416,117	\$ 73,062,507	\$ 460,238	\$ 1,529,625	\$ 4,455,598	\$ 1,974,951	\$ 0	\$ 265,577	\$ 17,168,616	\$ 102,333,229
UNSPENT BUDGET AUTHORITY BY FUND										
State Special Revenue Fund	\$ 2,289,735	\$ 50,956,903	\$ 151,770	\$ 743,320	\$ 3,040,783	\$ 1,587,380		\$ 198,288	\$ 8,104,421	\$ 67,072,601
Federal Special Revenue Fund	899,864	20,816,374	308,468	786,305	1,414,816	385,887		67,289	8,810,994	33,489,996
Capital Projects Fund		1,289,230								1,289,230
Enterprise Fund						1,684				1,684
Internal Service Fund	226,517								253,201	479,718
Unspent Budget Authority	\$ 3,416,117	\$ 73,062,507	\$ 460,238	\$ 1,529,625	\$ 4,455,598	\$ 1,974,951	\$ 0	\$ 265,577	\$ 17,168,616	\$ 102,333,229

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-11.

Department of Fish, Wildlife & Parks

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2021

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, except for 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 (Custodial) 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.

At the June 2020 meeting, the Legislative Audit Committee adopted changes to the Schedule of Changes to remove property held in trust activity and Schedule of Revenues and Transfers-In to remove revenue estimate in June 2020.

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 for Fiscal Year 2020 only, 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

- ♦ **Custodial Fund** – to account for resources of custodial funds held by the state in a custodial capacity. Custodial 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 custodial fund accounts for collections due to a tribe for licenses sold on their behalf.

2. New Accounting Guidance Implemented

For the year ended June 30, 2020, the State of Montana implemented GASB 84-Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The custodial fund included on the financial schedules reflects the implementation of GASB 84.

3. General Fund Equity Balance

The department has authority to pay obligations from the statewide General Fund within its appropriation limits. The department recorded expenditures related to Aquatic Invasive Species activity for each of the fiscal years ended June 30, 2020, and June 30, 2021. These balances reflect the results of the activity of the department, not the fund equity balance of the statewide General Fund.

4. 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 and the 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 Capital Projects Fund include entries generated by SABHRS, for the Makoshika State Park Waterline project, to reflect the flow of resources within individual funds shared by separate agencies.

Direct entries to fund equity in the Enterprise 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).

Direct entries to fund equity in the Internal Service Funds are due to 1) 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), and 2) entries related to the closure of the Duplicating Center.

Direct entries to fund equity in the Custodial Fund are to establish beginning net position for the purpose of implementing GASB 84-Fiduciary Activities in Fiscal Year 2020.

5. Unspent Budget Authority

- ♦ **Administration Program** -The Administration program had unspent budget authority of \$3.4 million and \$6 million on June 30, 2020 and June 30, 2021 respectively. The unspent authority in FY20 and FY 21 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 \$73.0 million and \$42.4 million on June 30, 2020 and June 30, 2021 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.
- ♦ **Fisheries Division** – The Fisheries Division had unspent budget authority of \$4.5 million and \$4.1 million on June 30, 2020 and June 30, 2021 respectively. The unspent authority for FY20 and FY21 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 on June 30, 2020 and June 30, 2021 respectively. Much of the unspent authority for FY20 and FY21 is from a contract spanning more than one year and other operating savings.
- ♦ **Wildlife Division** – The Wildlife Division had unspent budget authority of \$17.1 million and \$12.4 million on June 30, 2020 and June 30, 2021. The unspent authority for FY20 and FY21 includes excess hunting access authority and other operating savings within the division and an increase in the availability of federal grants and contracts spanning more than one year.

6. Transfers

The Transfers 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.

7. Contractual Commitments

As of June 30, 2021, there was approximately \$2.1 million of contractual commitments for engineering and construction of various capital projects.

In April 2021, the department entered into a contract with Deloitte Consulting to act as an information technology system integration company to plan and manage the full life cycle of the replacement of the current Automated Licensing System (ALS) for \$5,948,999.96. Deloitte agreed to deliver a mobile app that allows our customers to store digital copies of their licenses and permits and an option for digital carcass tags. Deloitte also implemented a Business Rules Engine (BRE) and developed the code required to complete all the annual drawings in Release 1 of the project.

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
William Soller

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, 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, 2021, and 2020, and the related notes to the financial schedules, and have issued our report thereon dated June 23, 2022.

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 as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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 financial schedules. 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*.

Department of Fish, Wildlife & Parks Response to Findings

The department's response to the findings identified in our audit are described on page C-1 of this report. The department response was not subjected to the auditing procedures applied in the audit of the financial schedules and, accordingly, we express no opinion on it.

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

June 23, 2022

DEPARTMENT OF FISH,
WILDLIFE & PARKS

DEPARTMENT RESPONSE

FWP.MT.GOV

THE **OUTSIDE** IS IN US ALL.

Director's Office
 PO Box 200701
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 (406) 444-3186
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 Ref: DO069-22
 September 7, 2022

Angus Maciver
 Legislative Auditor
 Office of the Legislative Auditor
 State Capitol, Room 160
 Helena, MT 59620-1705

RECEIVED
 SEP 08 2022
 LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver,

We appreciate the opportunity to respond to the recommendations from the Financial Compliance Audit of the Montana Fish, Wildlife & Parks for the two fiscal years ended June 30, 2021. Our responses and corrective action plans for each recommendation are provided below.

Recommendation #1: We recommend the Department of Fish, Wildlife & Parks:

- A. Implement procedures to ensure the internal auditor's time is allocated to the Wildlife Restoration and Basic Hunter Education grant according to the proportionate benefit received.
- B. Charge internal audit salary costs to the grant for time that is necessary, reasonable, and allocable.

Response: Partially Concur. The department did not have procedures in place to ensure the portion of the internal auditor's salary and benefits costs charged to the Wildlife Restoration and Basic Hunter Education grant program, however given that the employee's time was used on specific eligible activities or other activities that benefited the grant, time allocation was not necessary. The internal audit salary costs charged to the grant were necessary, reasonable, and allocable at 100% as allowed by the grant agreement. The department worked with US Fish and Wildlife Service to determine the most appropriate course of action and formally closed the grant, which expired 6/30/2020.

Corrective Action: Upon the close out of the Wildlife Restoration and Basic Hunter Education grant that specifically included 100% allocation of the internal auditor's time, the department charged the internal auditor's time to the indirect cost pool. Implementation effective as of 07/01/2020.

Recommendation #2: 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.
- B. Maintaining its working capital within 60 days.

Response: Concur.

Corrective Action: The department will continue to monitor uniform supply and demand when setting fees. However, by June 30, 2023, the department hopes to have assessed alternative methods for meeting staff uniform needs, including the potential closure of the F&G warehouse. In the Airport fund, the department will continue to do its best to manage the needs of the fund, including ensuring sufficient funds are available to purchase and maintain aircrafts at levels consistent with governing regulations.

Recommendation #3: We recommend the Department of Fish, Wildlife & Parks enforce its current control procedures to require review by a program supervisor of all expenditures.

Response: Concur

Corrective Action: The department has worked with key personnel to ensure compliance with current control procedures. All expenditures require supervisor approval prior to the expenditures being charged in the Statewide Accounting, Budgeting and Human Resources System (SABHRS). Implementation effective as of 01/01/2022.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Worsch" or "Hank Worsch", written in a cursive style.

Henry "Hank" Worsch
Director