

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

***WEST VIRGINIA DIVISION OF NATURAL RESOURCES
HUNTING AND FISHING - LICENSE ACCOUNT***

YEAR ENDED JUNE 30, 2001



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

YEAR ENDED JUNE 30, 2001

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the License Account of the West Virginia Division of Natural Resources. Our examination covers the year ended June 30, 2001.

Respectfully submitted,


Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

TLS/jdb

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

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WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

EXIT CONFERENCE

We held an exit conference on August 15, 2002 with the Director, Executive Secretary and several other representatives of the West Virginia Division of Natural Resources. All findings and recommendations were reviewed and discussed. The above-named officials' responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

INTRODUCTION

The West Virginia Division of Natural Resources (DNR) is responsible under Chapter 20, Article 2 of the West Virginia Code for implementing public policy ensuring that the wildlife resources of West Virginia are protected for the use and enjoyment of all the citizens of the State. The provisions of Chapter 20, Article 2 empower the Wildlife Resources Section of the DNR to issue specific classes of licenses to hunters and fishermen and to collect set fees for such licenses. These provisions are provide for enforcement of hunting and fishing laws and prescribe fines and penalties for violations of such laws.

Each year in excess of 350,000 hunters are licensed in West Virginia and their hunting activities contribute millions of dollars directly into the State's economy. Based on available data, hunting contributed over \$271 Million to the State's economy in 1996 with much of the economic benefits accruing in rural areas. Among the major wildlife programs of the DNR are the following: Wild Turkey Restoration Project; White-Tailed Deer Management Plan; River Otter Reintroduction Program; Black Bear Research Program; and, the Statewide Wildlife Management Program.

The Wild Turkey Restoration Project is said to be one of the greatest success stories of the DNR. The Wild Turkey Transplant Program was the key in reestablishing the State's most popular game bird across the State. By the time the program was completed in 1989, over 2,000 wild turkeys had been released and the wild turkey population had been reestablished in 39 counties of the State. The current estimates indicate about 140,000 wild turkeys are now distributed throughout all of the State's 55 counties.

Meanwhile, managing the State's white-tailed deer population remains a difficult challenge for the DNR. Among the challenges are conflicting biological, social and economic interests and public safety concerns. The DNR is attempting to meet these challenges by implementing a management program supported by highly trained, dedicated and professional staff. The black bear population in West Virginia has increased dramatically in the last decade. The expanding black bear population has occurred not only in the traditional bear range of the eastern mountains of West Virginia, but also in other areas of the State. DNR biologists now estimate that the black bear population exceeds 8,000 animals in West Virginia and the most rapid growth is now occurring in the State's southern counties. Starting in July 1999, the DNR began compiling data regarding the black bear population in southern West Virginia. The overall objective of the study is to compile demographic data on the black bear population in southern West Virginia which biologists hope will maximize black bear recreational opportunities while at the same time, minimize conflicts associated with bear-human interactions. Information gathered during the study will allow biologists to determine age structure, population estimates, trends, mortality causes and behavior of bears frequenting urban areas. Also, the study will give DNR the ability to compare and contrast data, bear harvest strategies and population management objectives with other States in the region.

Lastly, the Statewide Wildlife Management Program is designed to conserve and manage high-quality habitats for a variety of wildlife species, as well as, improve public access to these resources. Management activities on State and National Forest lands include planting of trees and shrubs for food and cover, the establishment of wildlife habitat, maintenance of food plots, and the development of wetlands. In addition to conserving and managing high quality wildlife habitat, development projects improve public access and recreational opportunities. Construction of roads, parking lots, trails, and public shooting ranges are vitally important to wildlife management programs.

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

ADMINISTRATIVE OFFICERS AND STAFF

AS OF JUNE 30, 2001

Ed Hamrick Director
Bernard F. Dowler Deputy Director
Harry F. Price Executive Secretary
Curtis I. Taylor Chief, Wildlife Resources Section
Scott D. Knight Administrative Services Manager, Wildlife Resources Section
Keith Wilson Administrative Services Manager, Budget Office
Michael D. Bryant Administrative Services Manager, Fiscal Services
Doris A. Pringle Supervisor, Hunting and Fishing Licenses

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

HUNTING AND FISHING LICENSES

Inventory Control and License Sales

1. The DNR does not have an effective system of controls in place to adequately maintain their license stamp inventory because the DNR does not fully account for all license stamps destroyed at the end of the licensing year which were never issued from the Store Room; therefore, it is not possible to account for all license stamps. Equally important, license stamp sales are not integrated with the inventory system which means the DNR is not fully and completely accounting for both the inventory of license stamps held by Sales Agents and the amounts of license stamp revenues due from the Sales Agents on a monthly basis.

Auditors' Recommendation

We recommend the DNR comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code by integrating the scanning, edited and reconciled license applications to the respective Sales Agent's inventory and their calculated final sales amounts to ensure the security and validity of the hunting and fishing stamp inventory maintained by the Division.

Agency's Response

The DNR concurs with part of the audit findings and recommendations and does not agree with other issues brought out in the audit findings and recommendations.

(See pages 15-23)

Reconciliation of Sales Agents' Reports

2. The DNR does not fully reconcile nor adequately maintain the total consignment inventory of hunting and fishing licenses; therefore, the total amount of revenue to be received by DNR from the Sales Agents is not known until the final audit of the Sales Agents' accounts for each License Year are completed.

Auditors' Recommendation

We recommend the DNR comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code by integrating the inventory system for license stamps with the sales system for license stamps to have an accurate, current inventory. In addition, the DNR should use the total consignment inventory in reconciling sales for the License Year.

Agency's Response

The DNR concurs with part of the audit findings and recommendations and does not agree with other issues brought out in the audit findings and recommendations.

(See pages 23-29)

Allocations of License Stamp Revenues

3. License revenues are deposited into the License Account (3200) by the DNR and then allocated initially among various special revenue accounts using an Allocation Model developed by the DNR. However, the DNR is not making adjusting accounting entries during the ongoing License Year after each month's sales are scanned, edited and reconciled in an effort to account for the sales revenues as required by State law which means the moneys are not being deposited in accordance with the West Virginia Code.

Auditors' Recommendation

We recommend the DNR comply with Chapter 20, Article 2, Section 34; Chapter 20, Article 2, Section 40b; Chapter 20, Article 2, Section 44b; Chapter 20, Article 2, Section 46c; Chapter 20, Article 2, Section 63; Chapter 20, Article 2B; Section 9; and, Chapter 20, Article 2B, Section 10 of the West Virginia Code by depositing the license stamp moneys into the correct accounts and by designing a report to indicate the stamp detail of computer sales to use when depositing such collections.

Agency's Response

The DNR concurs with part of the audit findings and recommendations and does not agree with other issues brought out in the audit findings and recommendations.

(See pages 29-37)

Management of Sales Agents

4. The DNR is not requiring Sales Agents selling hunting and fishing licenses to comply with the West Virginia Code nor DNR policies regarding reporting and remitting monthly license stamp revenues.

Auditors' Recommendation

We recommend the DNR comply with Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended, by requiring the Sales Agents to submit the proper documents for monthly sales in a timely manner.

Agency's Response

The DNR concurs in part with the audit findings and recommendations. (See pages 38-43)

DNR Policy for Sales Agents' Reports

5. DNR policy states that Sales Agents must submit a Sales Report no later than the 10th day of each month for all sales made in the prior month; however, this policy is not in compliance with the West Virginia Code that requires the moneys for the preceding month to be submitted on the first day of the month. We found 273 of 537 Sales Reports (50.84%) audited by us were not submitted by the 10th day of each month.

Auditors' Recommendation

We recommend the DNR comply with Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended.

Agency's Response

The DNR concurs with part of the audit findings and recommendations and does not agree with other issues brought out in the audit findings and recommendations.

(See pages 43-45)

Inaccurate Inventory Listing

6. DNR was not able to provide us with an accurate inventory listing for the License Account. We were informed the inventory listing would include additional items because all items purchased by DNR prior to July 1996 which did not have an identified account number were included in the inventory of the License Account.

Auditors' Recommendation

We recommend the DNR comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code and the State of West Virginia, Department of Administration, Purchasing Division's Inventory Management Surplus Property Disposition &

Inventory Management WVFIMS Fixed Asset Training Manual, by maintaining a complete and accurate inventory listing for the License Account.

Agency's Response

The DNR does not concur with this audit finding. (See pages 46 and 47)

Prior Approval of Annual Leave

7. We observed 48 instances where employees took annual leave where the Leave Request Forms were not submitted for approval until after the leave had already taken place. Also, we noted Leave Request Forms submitted by employees of the Wildlife Resources Section and the Law Enforcement Section generally included all leave taken for the entire month which means the possibility exists that employees could use and be paid for leave that has not been earned resulting in DNR paying an employee before their services had been rendered.

Auditors' Recommendation

We recommend the DNR comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended and Section 14.3 of the Division of Personnel's Administrative Rule by requiring employees to obtain prior approval before taking annual leave and to submit Leave Request Forms more frequently to the Staffing Section to ensure employees are not paid before their services have been rendered. Also, we recommend the DNR improve controls over the employee leave records by reconciling the employee leave records, Leave Request Forms, and employee time sheets.

Agency's Response

The DNR concurs in part. The DNR will issue a memo to all supervisors reminding them of DNR and State policy and requesting that close attention be paid to this issue. (See pages 47-50)

Termination Pay

8. We noted three instances where employees who ended their employment during fiscal year 2001 received an incorrect amount for their terminal leave pay and/or their pro-rata increment pay.

Auditors' Recommendation

We recommend the DNR comply with Chapter 5, Article 5, Sections 2 and 3, of the West Virginia Code, as amended; and Sections 14.3 and 14.4 of the West Virginia Division of Personnel's Administrative Rule.

Agency's Response

The DNR does not concur. Termination pay is calculated pursuant to the guidelines issued by the Division of Personnel. The DNR has no reason to believe, since it was not notified of any error by the Division of Personnel, that termination pay was not properly made. (See pages 50-53)

Time Sheets

9. The DNR was unable to provide time sheets for four of 16 employees covering fiscal year 2001, as well as, time sheets for another employee for the period July 1, 2000 through March 1, 2001.

Auditors' Recommendation

We recommend the DNR comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code by maintaining time sheets to properly support the employee's leave balances and payroll amounts.

Agency's Response

The DNR concurs in part. The DNR, will, therefore, investigate the implementation of requiring time and attendance reports from the remaining DNR personnel who are not otherwise required to complete time and attendance reports. (See pages 53-55)

Authorization Required for Payment

10. There were two instances when an invoice was not properly approved for payment by an appropriate employee certifying goods or services were received. In another instance, an Engineering Technician approved an invoice for payment even though this employee was not authorized to do so. Also, four of 16 employees' time sheets were not signed by their supervisor authorizing the time worked by the employee.

Auditors' Recommendation

We recommend the DNR comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code by properly approving time sheets and invoices for payment and by maintaining copies of the invoices supporting payments.

Agency's Response

The DNR concurs with the audit finding and will take corrective action. (See pages 55 and 56)

Incorrect Use of Object Codes

11. We located one purchasing card disbursement consisting of 20 individual purchase card transactions which was not charged to the appropriate object code. According to the Accounting Technician responsible for processing these purchase card transactions, a transaction would be classified under the most commonly used object code (in this case, Object Code 061) when an invoice or receipt has not been received for the transaction in order to timely pay the purchasing card statement and adjusting entries are made later if the required documentation is forthcoming.

Auditors' Recommendation

We recommend the DNR comply with the State Auditor's Purchasing Card Program's Policies and Procedures and the State of West Virginia Expenditure Schedule Instructions by assigning the appropriate object code to payment transactions.

Agency's Response

The DNR concurs to the extent that it acknowledges the audit found some instances in which object codes may have been applied incorrectly in the purchasing card disbursement transactions. (See pages 57-59)

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Hunting and Fishing - License Account of the West Virginia Division of Natural Resources. The audit covered the period July 1, 2000 - June 30, 2001.

SPECIAL REVENUE ACCOUNTS

The West Virginia Division of Natural Resources is charged by law with regulating the practice of hunting and fishing, as well as, operating programs designed to contribute to management of West Virginia's wildlife. The Division of Natural Resources is empowered to charge, collect and expend through legislative appropriations, funds derived from such fees collected from hunters and fishers. The Division of Natural Resources maintained the following accounts to conduct the general operations of the hunting and fishing programs:

<u>Account Number</u>	<u>Description</u>
3200-001	License Account - Personal Services
3200-004	License Account - Annual Increment
3200-010	License Account - Employee Benefits
3200-099	License Account - Unclassified
3200-248	License Account - Capital Improvements and Land Purchases
3200-913	License Account - BRIM Premium
3200-640	License Account - Cash Control

The Division of Natural Resources deposits all fee collections initially into the License Account - Account 3200-640. Thereafter, the Division of Natural Resources allocates and transfers fees into the following accounts:

<u>Account Number</u>	<u>Description</u>
3228-640	Bear Damage Account
3231-640	Migratory Waterfowl Stamp Account
3232-640	Conservation Stamp Account
3233-640	Trout Stamp Account
3247-640	Law Enforcement and Sports Education Stamps Account
3259-640	Class A-1 Small Arms Hunting License Account

COMPLIANCE MATTERS

Chapter 20, Article 2 of the West Virginia Code generally governs the hunting and fishing license program of the West Virginia Division of Natural Resources. We tested applicable sections of the above, as well as, general State regulations and other applicable chapters, articles, and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are discussed below.

HUNTING AND FISHING LICENSES

The West Virginia Division of Natural Resources (DNR) had total collections of \$14,984,452.29 from the sale of hunting and fishing licenses during the year ended June 30, 2001. During our post audit of the hunting and fishing license program, we noted several problem areas as follows: (1). The DNR does not have an effective systems of controls in place with respect to the license stamp inventory; (2). The DNR does not have effective procedures in place to reconcile the sales of license stamps to ensure that the license stamp revenues are properly allocated among the various accounts; (3). The DNR does not reconcile nor adequately maintain the total consignment inventory of hunting and fishing licenses; therefore, the total amount of revenue to be received by DNR from the Sales Agents is not known until the final audit of the Sales Agents' accounts for each License Year are completed; (4). The DNR does not adequately monitor the Sales Agents to ensure the Agents

are complying with the West Virginia Code with respect to filing reports and remitting license revenues; (5). The DNR has established a policy requiring Sales Agents to file monthly reports and remit license sales revenues by the 10th day of each month for the preceding month which is in noncompliance with the reporting date set by State law; and, (6). The DNR's system of recording and depositing license sales revenue is not designed to comply with applicable State laws requiring certain license stamp receipts to be deposited into certain special revenue accounts. The details of these various findings are set forth in the sub-headings which follow.

Inventory Control and License Sales

The DNR does not have an effective system of controls in place to adequately maintain their license stamp inventory because the DNR does not fully account for all license stamps destroyed at the end of the licensing year which were never issued from the Store Room; therefore, it is not possible to account for all license stamps. Equally important, license stamp sales are not integrated with the inventory system which means the DNR is not fully and completely accounting for both the inventory of license stamps held by the Sales Agents and the amounts of license stamp revenues due from the Sales Agents on a monthly basis. As a result, the DNR is not able to account for the total amount of their inventory of license stamps and any errors in the recording of inventories of stamps which have been issued to the Sales Agents might go undetected. Also, if sufficient controls are not in place and followed to ensure the inventory of license stamps is adequately documented and securely maintained, the possibility exists that the license stamp inventory could be converted to personal benefit of any DNR employee having access to the inventory. Thus, the DNR could be losing hunting and fishing license revenue and would be unable to account for the total license stamp revenue due DNR.

When Sales Agents request additional license stamps, a "Stamps and Supplies Order Form" is completed by the Sales Agent and sent to DNR or the order is called in by the Sales Agent. If an order is placed by telephone, a DNR employee will complete the order form. However, no phone log is maintained by the DNR indicating the Sales Agent orders that have been received by telephone. The types and quantities of the license stamps issued to the individual Sales Agents are entered into the Agent Master inventory system; and a "Stamps Receipt" form is generated from this system. This form, which is printed in triplicate, details the types, quantities, and dollar amounts of the issued stamps, and two copies of this form are sent along with the issued stamps to the Sales Agent while one copy is maintained by DNR. Although the DNR's policy requires Sales Agents to return a signed copy of the form to verify that these stamps have been received, we noted instances when this policy was not followed.

While testing 15 of the 511 sales Agents for license year 2000, we noted that only seven of the 15 Agents actually submitted signed copies verifying that they had received all of the license stamps shown as having been issued to them as recorded in the inventory system of the DNR. The amount of issued inventory for these 15 Sales Agents, according to DNR's copies of the stamp receipt forms, totaled \$2,100,200.00; however, the amount of inventory which was not verified by signed copies of the Stamp Receipt forms totaled \$449,180.00. Therefore, 21% of the issues for these Sales Agents were not verified as having been received by them in noncompliance with DNR's own policy requiring signed affirmation by the Sales Agent.

In addition, there is a lack of sufficient controls over the physical inventory of unissued license stamps. According to the Business Manager of the Wildlife Resources Section, all seven employees working in the License Unit have access to the unissued license stamp inventory. And,

the only detailed inventory records indicating the types and quantities of license stamps issued to the Sales Agent is the Stamps Receipt form, which is generated from the Agent Master inventory system. Although the mail room maintains records that license stamps have been sent out and United Parcel Service (UPS) is used to ship the stamps to Sales Agents, there are no other detailed records of the license stamps that were sent to the Agents. Therefore, there is no check or verification of the accounting entries which are made into the Agent Master inventory system.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities....”

Also, the West Virginia Division of Natural Resources’ Hunting and Fishing License Unit’s West Virginia License Agent Manual For The Sale of Hunting and Fishing Stamps, as revised on April 22, 1998, states in part:

“ . . . The DNR will prepare a Stamps Receipt form for each issue of stamps to an agent; the original is retained by the License Unit and two copies accompany the stamp order. You should check the order received against the form and immediately notify the License Unit in Charleston of any discrepancies. After verifying the order, sign and return the first copy to the License Unit. Retain the second copy for your records. . . .”

According to the Business Manager of the Wildlife Resources Section, since the license stamps are sent by UPS, DNR is able to determine, should they request the information from UPS, who actually signed for the shipment of stamps. Also, after Sales Agents have received their audit letter for the License Year indicating their total amount due to or payable from DNR, they may

schedule a meeting with DNR to discuss their account if the Agent believes there are any discrepancies. However, we believe the DNR is required to maintain those records required by law to adequately document the inventory of hunting and fishing license stamps, including those license stamps issued to the Sales Agents.

Equally important, the hunting and fishing license stamp sales made by the Sales Agents are not properly reconciled at the end of the License Year; therefore, the total amount of revenue due the DNR for license sales can not be verified. Additionally, the sales amounts which are to be allocated to other accounts as required by the West Virginia Code, such as the trout stamps and the bear damage stamps, can not be verified and we believe these revenues are not being properly allocated.

The license applications which are the most reliable evidence that a license stamp sale has occurred are completed by the customer and are to be signed by both the customer and the Sales Agent's representative (sale clerk). These license applications are submitted by the Sales Agents, along with their monthly Sales Report and a remittance for license stamps sold during the month. The license applications which are considered by the DNR to represent "true sales" are scanned by an electronic scanner and edited by DNR personnel to determine that the necessary information was completed on the license application and that the total amount remitted by the Sales Agent equals the detail of the stamps purchased, as set out in the license applications.

When auditing the Sales Agent's account to determine the amount due the DNR from the Sales Agent or the amount payable by the DNR to the Sales Agent at the end of the License Year (Final Audit Payment), the following formula is used: the value of issued and transferred stamps minus the value of returned and/or voided stamps. This formula is used to generate a "calculated

sales” amount for the Sales Agent, and the payments remitted by the Sales Agent are then subtracted to determine the amount receivable from or payable to the Agent. However, neither the calculated sales amount nor the total consignment inventory is used in determining or adjusting the total sales for the License Year. For instance, while reviewing the Sales Agent (Number 21062) with the highest dollar amount of license sales for License Year 2000, the total scanned sales as indicated on a report provided to us by the DNR totaled \$315,731.00. However, the amount of calculated sales as indicated by the Audit Sheet detailing this Sales Agent’s License Year 2000 audit totaled \$334,530.00, which is a difference of \$18,799.00. However, this difference was not used when determining or adjusting total sales. Thus, the sales amounts and allocations determined by the DNR were not reconciled to the Sales Agent’s inventory and to the amount which was calculated as being due to or payable by the Agent. As a result, the scanned sales amount, which is the Division’s total license sales amount, has not been fully reconciled and the true amount of license revenue due the Division can not be determined.

According to the Business Manager of the Wildlife Resources Section, the total value of all license stamps issued or transferred to a Sales Agent represents the DNR’s accounts receivable from that particular Sales Agent because an Agent’s issued inventory minus stamps returned and/or voided stamps minus payments received indicates what must be accounted for by the Sales Agent. Therefore, the Agent must either return stamps or a payment of money for the calculated sales amount at the conclusion of the License Year. **We believe this definition of “accounts receivable” shows the DNR does not have effective control over the amounts due from Sales Agents because the DNR is not relying on the outstanding balances shown in the Agent Master inventory system to reflect the amounts receivable from each Sales Agent.**

We recommend the DNR comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code by integrating the scanned, edited and reconciled license applications to the respective Sales Agent's inventory and their calculated final sales amounts to ensure the security and validity of the hunting and fishing stamp inventory maintained by the Division.

Agency's Response

In evaluating the stamp inventory, several key points must be kept in mind. First, the DNR's current licensing system is in the middle of a complete overhaul. Part of this overhaul includes the implementation of Point of Sale service, but there are more facets to the overhaul, as will be detailed below. All of the audit's concerns will be addressed by the plans to overhaul the system – most, if not all, by Point of Sale service. Second, the sale of licenses is predicated on the principle that this is a service to West Virginia's hunters and anglers. The system includes many license agents as a necessity to provide this service even in the most remote corners of our state. Of necessity, many of the DNR's sales agents are of the "mom and pop" store variety. This creates a large, paper intensive system. There is no evidence, however, that this system does not work as presently implemented. While the DNR does not dispute that the system could be improved – hence the DNR's overhaul – the handful of minor issues noted by the audit pale in the face of the magnitude of the sales, which were \$14,984,452.29 for the year ending June 30, 2001. Third, the recommendation proposed by the audit does not take into account that the agent is responsible for lost stamps. In other words, the fact that the sales report does not match the inventory-based calculation of what monies are owed to the DNR for stamp sales favors the DNR's accounts receivable by placing the burden of lost or otherwise non-returned stamps on the sales agent.

Recommendations: The DNR will continue to implement its improvement program for the hunting and fishing licensing system.

The DNR concurs in part and does not agree in part. The stamp inventory system is straightforward. First, the stamps are taken out of inventory by DNR personnel. The serial numbers for the stamps are entered into Agent Master. Agent Master tracks the inventory. Any gaps in the serial numbers entered would be immediately noticed. Similarly, an agent could never claim more stamp sales than stamps issued. The DNR is not aware of any instance where recording errors have occurred when inputting serial numbers in Agent Master, much less resulted in loss of revenue to the DNR. This is reflected by the sales agents themselves who have noted no major problems in response to the annual audit by the DNR of agents' accounts. Since any error would result in the agent paying for more stamps than were sold, this is an effective check on the accuracy of the inventory process. Moreover, the DNR maintains a high level of detail regarding the issuance of stamps to sales agents in order to complete the annual audit of each agent. This detail includes the serial numbers of stamps issued to the sales agents, the UPS log and the inventory of returned stamps. Because the DNR relies on inventory to calculate the amount owed by agents and not the sales reports, the human error that can be reflected in sales reports does not impede the collection of monies owed the DNR.

The DNR firmly believes that it maintains adequate records, as required by law, to document the inventory of hunting and fishing license stamps. The sale amounts for each agent are properly reconciled at the end of each license year when each agent is audited by the DNR. It is important that the audit take into account that, given the nature of the product sold by the DNR, the sales reports from the agents do not necessarily equal the audit amount. This is because,

as mentioned previously, the agent bears the responsibility for lost stamps. Accordingly, the total amount due to the DNR is premised on the number of stamps that are not returned, and is, therefore, ascertainable and verifiable. Moreover, there is no evidence that the stamp revenue is being improperly allocated, and the DNR feels that this conclusion is both incorrect and unfounded.

The DNR acknowledges that the paper-intensive inventory system presently in place can be modernized. This is not to say, however, that the system is not working. To better serve the anglers and hunters in the State of West Virginia, the DNR is committed to implementation of a point of sale service system. If budget requests are approved, the DNR should be able to launch a partial POS system within the next two years. The DNR will continue to operate a certain number of paper-based agents, but, according to current estimates, within the next five years, the majority of license transactions – up to 90% – will be electronic. The DNR has been studying this issue for several years, including monitoring the systems put in place by several other states. This monitoring has provided the DNR with valuable information in designing its own system and will eventually lead to a POS system that is more useful than that of states who have implemented POS in the last few years. The point of sale system would address all of the inventory control issues identified by the audit. Additionally, implementation of a point of sale system would free valuable personnel time for addressing sales agent compliance and other issues.

Finally, the audit makes three suggestions the DNR finds to be helpful. First, the DNR will “close the loop” in accounting for its stamp inventory beginning in License Year 2003 by logging in stamps as they are received from the printer and by retaining all returned or unused stamps at the end of the License Year until the stamps can be fully audited and accounted for.

Second, the DNR will create more restricted access to the stamp inventory, although the DNR emphasizes that there is no evidence that any DNR employee has ever converted a hunting or a fishing license stamp for personal use. Third, the DNR will work to improve overall sales agent compliance with its policies. To this end, the DNR will consult with license agents to develop rules during the next year. The DNR has plans to caucus agents regarding rules and then develop final rules for legislative approval. In this way, all license agents are consulted and concerns can be addressed prior to the public comment period. The DNR intends this process to be the most expeditious in getting rules implemented. The proposed rule package should be ready for submission for the 2004 legislative session.

Recommendations: The DNR will “close the loop” in accounting for its stamp inventory beginning in License Year 2003. First, the DNR will log in the stamps by serial number when the stamps are received by the DNR. Second, the DNR will retain all returned or unused stamps at the end of the License Year so that the ending “balance” of stamps can be reconciled with the beginning “balance” of stamps. This reconciliation will be confirmed by personnel outside of the licensing division. The DNR will restrict access to the stamp inventory. The DNR will work to improve overall sales agent compliance with its policies. The DNR will work with the sales agents to create and implement final rules for legislative approval codifying the DNR’s policies and requirements for sales agents.

Reconciliation of Sales Agents’ Reports

The DNR does not fully reconcile nor adequately maintain the total consignment inventory of hunting and fishing licenses; therefore, the total amount of revenue to be received by DNR from the Sales Agents is not known until the final audit of the Sales Agents’ accounts for each

License Year are completed. When stamps are ordered and received by the Division, the initial order is entered into Agent Master, which is the Division's inventory system. However, if there are any stamps received by the Division that have duplicate serial numbers or serial numbers that are not legible, these stamps can not be entered into their inventory system. When these license stamps are issued to Sales Agents, the inventory items are deducted from the initial inventory and added to the individual Sales Agent's inventory.

In addition, DNR's policy requires the Sales Agents to submit an "Agent License & Stamp Sales Report" monthly along with the actual hunting and fishing license applications and payment for these license sales. The monthly reports detail the types and quantities of license stamps sold during the month for the particular Agent. The applications are scanned and go through an editing and reconciling process, which verifies that all needed fields have been completed on the license application and that the total collected equals the stamps purchased as indicated on the license application.

The DNR considers the license applications to represent "true sales" and the applications are used to determine the total sales of hunting and fishing licenses and to determine the total sales amounts of those license stamps, which are to be transferred to separate accounts, such as the trout stamps and the bear damage stamps. Although the DNR considers the scanned applications to represent true sales, these sales are not connected (integrated) to the DNR Agent Master inventory system. The sales as indicated on the monthly sales reports filed by the individual Sales Agents are instead entered into the inventory system. And, during our testing of 46 of the 511 Agents for License Year 2000, the license and stamp quantities reported by the Agents on the Agent Stamp Sales Reports did not match the scanned detail of the licenses and stamps sold as indicated on the applications 36%

of the time (193 out of the 537 reports tested). Therefore, the true, current inventory is not known during the License Year because the sales and inventory systems are not integrated. DNR attempts to reconcile the scanned application data with the Sales Agents' inventory balances at the conclusion of the License Year.

Additionally, the unissued stamps that remain in the DNR's inventory are not independently counted or verified at the end of the License Year. Although the Division retains the Sales Agents' returned and voided stamps, the unissued stamps remaining in the Central Store Room are not retained nor used to reconcile the total consignment inventory. Therefore, the total consignment inventory is not known or accounted for by the DNR. As a result, the total amount of consignment revenue due DNR can not be fully and accurately calculated or verified.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

"The head of each agency shall:...

(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities...."

The DNR uses the scanned data to determine total sales and to allocate the revenue among the various accounts, and the scanned data and Agent Master inventory are merged at the end of the year for audit purposes. Audits are conducted on the Sales Agents to determine the total amount due from or payable to each Agent which equals issued inventory license stamps minus returned and/or voided stamps as indicated in Agent Master minus payments received from the Agent. The Sales Agent's issued inventory is used by the DNR to determine the amount due or payable, but total inventory is not used in this reconciliation process. However, if an Agent has any questions or

disagrees with the assessment of their account by the DNR, they are invited to meet with the Division to review the audit of their account to work out any discrepancies. **We believe the DNR's license sales and license inventory systems should be integrated in order to fully account for the license stamp sales.**

We recommend the DNR comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code by integrating the inventory system for license stamps with the sales system for license stamps to have an accurate, current inventory. In addition, the DNR should use the total consignment inventory in reconciling sales for the License Year.

Agency's Response

The DNR concurs in part and disagrees in part. The DNR believes that it does adequately both maintain and reconcile its stamp inventory as discussed in detail previously. The audit takes issue with the DNR's "definition of 'accounts receivable.'" This "definition" is mandated by the very nature of the DNR as a service agency to the hunters and anglers of this State. The DNR cannot require its agents to pay "up front" for hunting and fishing stamps, for example. A requirement like this would put a significant burden on the majority of agents, but would be especially onerous to the "mom and pop" license agents who may not be able to afford such a capital investment. For example, during deer season – which can account for as much as a third of the total hunting and fishing license revenue – the investment required by a pre-payment policy would be far beyond the means of many agents. By nature, hunting and fishing license agents are a diverse group, and the DNR is committed to meeting as many of the needs presented by such a diverse group as possible. The DNR is concerned that pre-payment would prompt many of the smaller agents serving important geographic area to opt to resign rather than pay in

advance. The end result would be both a loss of revenue to the DNR and an impairment of the license buyer's ability to obtain the necessary license privileges. Moreover, as mentioned, the DNR is in the process of implementing the redesign of the licensing system. That redesign includes:

Summary of 5-Year Plan to Redesign Hunting and Fishing License Unit Systems

Phase 1 *Designate new class of agents called e-agents. E-agents will provide the public access to hunting and fishing licenses over the Internet or telephone, thus increasing license availability and buying options to the public.*

On October 1, 2001, GreatLodge.com and Bass Pro Shops were appointed as the DNR's first e-agents. GreatLodge.com offers an Internet option for license buyers, while Bass Pro Shops provides access via telephone.

Phase 2 *The DNR will design and develop an in-house Internet sales system. The system will not charge an issuing fee and license buyers may also reprint a duplicate license free. The new system will be designed and developed in a manner that allows it to serve as the base application for a Point-of-Sale system. The new system will include a database structure to allow the DNR to consolidate all license types into one central database.*

On August 5, 2002, the DNR rolled out its new online Internet licensing system called "goWILD!" The new system allows the license buyer to select the desired licenses online and pay with a credit card giving the buyer an immediate license. The license is then printed on the buyer's home printer. The system does not charge the user a fee for the purchase and the user may print a duplicate license at anytime free of charge. The "goWILD!" will be the base application for a point-of-

sale licensing system. The “goWILD!” system includes new modules for processing lifetime, class Q, disabled veterans, and developmentally disabled licenses, thus allowing the DNR to consolidate all license types into one central database.

Phase 3 The DNR will design and develop a point-of-sale licensing application to be used by the top 100-150 hunting and fishing licensing agents. The DNR will provide all necessary hardware to those agents meeting the minimum requirements for transition to the point-of-sale system. Converting the top 100-150 license agents to a point-of-sale system, combined with the online sales, will allow the DNR to capture 90% of the licensing transactions electronically within the next 3 years. Point-of-sale agents shall be required to electronically submit funds to the DNR in a weekly electronic fund transfer.

Phase 4 The DNR will design and develop a new inventory and sales system for the paper-based license agents. The new system will integrate the current “Agent Master” system, the “SAS Sales” system and the “Agent Collections” system into one central agent management system. Combining the three systems into one central system will improve the agent management process and enhance the quality of the data used by the DNR. The new system shall be fully compatible with the “goWILD!” central database allowing for consolidation of all license sales data into one location. Paper-based agents shall be required to submit license revenue to the DNR via electronic fund transfer on a monthly basis.

The DNR could do a total consignment inventory at the beginning and end of each License Year. This inventory does not seem to be necessary, however, given that the annual agent

audits do not reveal a problem with the inventory. Moreover, such an inventory would be labor intensive, and probably require the hiring of outside personnel to complete.

Recommendations: The DNR will continue to implement its improvement program for the hunting and fishing licensing system. The DNR will "close the loop" in accounting for its stamp inventory beginning in License Year 2003. First, the DNR will log in the stamps by serial number when the stamps are received by the DNR. Second, the DNR will retain all returned or unused stamps at the end of the License Year so that the ending "balance" of stamps can be reconciled with the beginning "balance" of stamps. This reconciliation will be verified by personnel outside of the licensing division.

Allocations of License Stamp Revenues

Currently, an Allocation Model is used by the DNR to allocate the various license stamp collections to their respective accounts. An entry is made monthly to transfer the moneys to the various licensing accounts based on the sales breakdown from the last completed and audited license year. For example, if the final audited sales for License Year 2000 have been determined, the types and amounts of license stamps sold in December 2000 would be used to estimate and transfer the moneys among the various accounts for the licenses sold in December 2001. When the 2001 License Year is closed and the total sales for that year are determined, an adjusting accounting entry is made to adjust the transferred revenues to reflect the total license stamp sales for 2001 among the various accounts.

There are stamps sold by DNR, including bear damage stamps, trout stamps, small arms stamps, law enforcement and sports education stamps, migratory waterfowl stamps and conservation stamps, which have specific purposes as set forth in the West Virginia Code and should

be deposited into their respective accounts. Of the 537 Agent Stamp Sales Reports tested, 525 reports had receipts that were not deposited into the proper accounts. The remaining 12 reports were deposited into the proper account because the Agent did not sell any of those stamps which are required to be deposited into separate funds. Since the license revenue receipts are being deposited into the License Account (3200-640) when there are specific stamps that should be deposited into separate accounts and the DNR is not making adjusting accounting entries during the ongoing License Year after each month's sales are scanned, edited and reconciled in an effort to account for the sales revenues as required by State law, the moneys are not being deposited in accordance with the West Virginia Code.

Also, while testing in-house receipts within the DNR offices, we were unable to determine if the "PC Sales", which are computer-generated sales made in the Charleston, WV DNR Headquarters, were deposited into the proper accounts because the reports accompanying the deposits do not indicate the detail of the types and quantities of stamps sold. Additionally, "PC Sales" totaled \$335,395.00 for fiscal year 2001.

When initial yearly license and/ or any stamps are purchased at the Charleston, WV Office, the license is computer-generated and any additional license stamps purchased are indicated on this printed license. These computer sales are totaled as "PC Sales" on the Daily Cash Drawer Closing Report, which are reports prepared daily by DNR to reconcile and prepare in-house license receipts for deposit. These reports do not detail the types and quantities of stamps sold for the "PC sales".

Since the Daily Cash Drawer Closing reports do not have detail indicating the type and quantities of stamps sold for computer sales, there is no way to identify the stamps sold that are

designated by the West Virginia Code for specific purposes. Therefore, we were unable to determine if the licenses were deposited into the proper account.

Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended, regarding the License Account (Conservation Stamp Account) states in part:

“ . . . Except where other provisions of this chapter specifically require and direct payment of any such moneys into designated funds for specific uses and purposes, all moneys so received by the director hereunder shall be by him promptly paid into the state treasury and shall be credited to the department of natural resources and shall be further credited to and kept in a separate fund designated “license fund - wildlife resources” . . . ”

However, the specific purposes and uses of the six stamps identified above are indicated in the State Code sections that follow.

Chapter 20, Article 2, Section 40b of the West Virginia Code, as amended, regarding the Class A-1 Small Arms Hunting License Account states in part:

“ . . . The fee shall be five dollars for a Class A-1 license. All such fees collected shall be deposited in the state treasury and credited to the law-enforcement division of the division of natural resources. Such fees shall be paid out of the state treasury on order of the director and used solely for law-enforcement purposes. . . . ”

Chapter 20, Article 2, Section 44b of the West Virginia Code, as amended, regarding the Bear Damage Stamp states in part:

“ . . . The fee for a bear damage stamp shall be four dollars and all proceeds from the sale of such stamps shall be paid into the bear damage fund. . . . ”

Chapter 20, Article 2, Section 46c of the West Virginia Code, as amended, regarding the Trout Stamp Account states in part:

“A Class O license shall be a resident and nonresident statewide trout fishing license. . . The revenue derived from the sale of this license

shall be deposited in the state treasury and credited to the division of natural resources and shall be used and paid out, upon order of the director, for state trout hatchery production. . . .”

Chapter 20, Article 2, Section 63 of the West Virginia Code regarding the Migratory Waterfowl Stamp Account states in part

“ . . . All fees collected from the sale of state migratory waterfowl stamps shall be appropriated to the department. . . Such revenues shall be deposited in the state treasury and credited to the department and shall be used and paid out upon order of the director for the conservation of migratory waterfowl. . . .”

Chapter 20, Article 2B, Section 9 of the West Virginia Code regarding the Conservation Stamp Account states in part:

“ . . . The revenue derived from the sale of conservation stamps shall be deposited in the state treasury and shall be credited to the department of natural resources. Said revenue shall be used and paid out, upon order of the director, for capital improvements and land purchases or leases benefitting wildlife. . . .”

And, Chapter 20, Article 2B, Section 10 of the West Virginia Code, as amended, regarding the Law Enforcement and Sports Education Stamps Account states in part:

“ . . . The revenue derived from the sale of law-enforcement and sports education stamps shall be deposited in the state treasury and shall be credited to the division of natural resources, law-enforcement section. The revenue shall be used and paid out, upon order of the director, for the law-enforcement section’s expenses relating to the general enforcement of state laws pertaining to the conservation of fish and wildlife and or law-enforcement education programs for hunters, anglers and trappers. . . .”

Currently, all Sales Agents’ license sales and the Charleston Offices’ annual license sales are deposited into the License Account (3200-640). An estimated adjusting entry is made each month based on the last completed sales year to transfer the license stamp receipts with specified

purposes among the various accounts. At the end of the License Year, the stamp detail of in-house sales is combined with other annual license sales when determining the total amount of sales for the License Year (calendar year), which is then used to make the final adjusting accounting entry for license distribution for that year. However, even after the scanning, editing and reconciling processes are completed by the DNR each month, no adjusting entries are made during the ongoing License Year as the monthly Sales Reports and supporting license applications are received from the Sales Agents. Because DNR does not perform the scanning, editing and reconciling processes in a timely fashion, the final distribution of license sale revenues for calendar year 2000 license sales was not made until February 2002 and the final distribution of license sale revenues for calendar year 2001 was not made until June 2002. **We believe the DNR can use their Allocation Model to initially distribute (allocate) the license stamp sales among the various accounts, then make adjusting entries as each month's sales are scanned, edited and reconciled, and, lastly, the DNR should make a final adjusting entry which would be based on the results of their final audit of each Sales Agent's account for the License Year.**

We recommend the DNR comply with Chapter 20, Article 2, Section 34; Chapter 20, Article 2, Section 40b; Chapter 20, Article 2, Section 44b; Chapter 20, Article 2, Section 46c; Chapter 20, Article 2, Section 63; Chapter 20, Article 2B, Section 9; and Chapter 20, Article 2B, Section 10 of the West Virginia Code by depositing the license stamp moneys into the correct accounts and by designing a report to indicate the stamp detail of computer sales to use when depositing such collections.

Agency's Response

The DNR concurs in part and disagrees in part. At the exit conference, the DNR learned from the Director of Legislative Post Audit Division that its allocation method, which is based on sales data, is precisely what the Auditor recommends. The example cited in the audit itself, however, reveals that there is still some potential for disagreement between the DNR and the audit suggestions. In response to the audit's concerns, the DNR will implement the allocation of sales agent audit collections pursuant to the model. The audit must take into account that sales and inventory are not reconcilable because of the loss of stamps by agents. This in no way compromises the ability of the DNR to collect monies owed to the DNR. The sales system is essential to the DNR for separate reasons. The sales system is used for the federal aid to which West Virginia is entitled. Federal aid money is only available for verified sales. This would not include lost stamps for which the DNR still receives payment. It is essential, therefore, that the DNR maintain both the true sales calculation and the inventory calculation. These systems operate in parallel, but serve separate purposes. The two figures generated cannot be reconciled, as discussed previously in detail. The example presented in the audit, therefore, is not an indication that there is an error in any entry or that the DNR was underpaid \$18,799.00, but rather an illustration of why the DNR must make both calculations. In the audit example for Agent 21062, federal aid can only be claimed on the verified sales of \$315,731.00. The DNR is entitled to collect, however, \$334,530.00 from Agent 21062. Accordingly, the DNR submits that it is in good faith compliance with all applicable laws of the State of West Virginia.

In preparation for the annual audit, the DNR combines the information from the agent sales reports with the information from the inventory control system. This document, in

effect, reconciles the sales and inventory calculation and provides explicit detail down to the number and type of stamps issued, sold, and returned by the sales agent. The DNR appreciates the Auditor's position that final reconciliation cannot occur absent a final inventory audit, but the DNR has had no problems in reconciling with the sales agents in the past. Nevertheless, as noted in response to the previous Issue, the DNR will implement the inventory reconciliation suggested by the Auditor beginning in License Year 2003. Discussion with the Director of Legislative Post Audit Division following the issuance of the draft portion of the audit received by the DNR clarified another issue relating to allocation that the DNR is prepared to address. Monies received from sales agents as a result of audits of those sales agents' accounts is not presently allocated according to the model as it is not received during the License Year. The DNR will start allocating audit monies pursuant to the model, thus alleviating the Auditor's concerns.

As a separate note, the DNR continues to implement measures to make its process of accounting for the revenue from hunting and fishing licenses more efficient and accurate. The DNR does not believe that it has lost significant revenue as a result of the paper system that is in place, though the DNR does acknowledge that the paper system has limitations, but for the present, this is the only system that is available to the DNR. The paper system does, however, allow the DNR to serve the hunters and anglers of the state by offering many locations where licenses can be obtained. The DNR has, presently, in excess of 450 agents, many of whom service rural areas. The so-called "mom and pop" agents serve an important role in providing licenses to hunters and anglers. The consequence of the paper system is, quite simply, that it generates paper – up to 1.2 million pieces of paper that must be hand-sorted before the DNR can post the accurate amount of revenue attributable to hunting and fishing license sales. This issue is compounded by the need

to make sure that certain stamp revenue, such as bear stamps, trout stamps, and migratory waterfowl stamps, are allocated to the correct funds. In short, the process is complicated, and the paper system creates some delays. There is, however, no evidence that the allocation of monies into the license stamp accounts is improper. In fact, the model developed and implemented by the DNR for such distribution has a 99.2% rate of accuracy before final adjustment, made at the end of each month, to verified sales. Part of the confusion may stem from the misunderstanding as to the allocation of lost stamps. Lost stamps are not "sold" and therefore remain in the 3200 account. The audit also finds that the license stamp quantities reported by the sales agents did not match the scanned detail from the applications. This illustrates two of the DNR's points. First, the sales reports should not be used for allocation of stamp monies. Second, the model, which incorporates all data from the previous year's license sales, works better than sales reports for allocating stamp revenues. The error in agent reporting is human error, but it is not error that is transmitted into the allocation because of the model. The DNR disputes that it is not depositing stamp money into the proper accounts. The model has an extremely high accuracy rate. Thus, the data is misleading. The audit implies that the stamp funds did not receive the proper monies of which there is no proof. In fact, the accounts do receive the proper monies. The model eliminates the need to enter the information on the actual sales reports as they are received. These reports are used to make final adjustments at the end of the year. Moreover, it is not possible to use both the model and the sales reports at the same time without creating error. Similarly, the "PC Sales" use the distribution model. This is necessary, even though the information is immediately available because without complete implementation of the model, it is useless. The information from PC Sales is part of the mainframe and is uploaded into the model, providing information for the following year's distribution.

In short, the model is highly accurate, annually updated and finally adjusted. The audit's proposal does not improve on the model system and proposes a more labor intensive alternative to an already accurate system with no proven errors. Moreover, the DNR reiterates its position that it is in good faith compliance with West Virginia law.

As with most of the audit's concerns, the implementation of a point of sale service will create accurate and immediately up to date records as to stamps sold, as well as largely doing away with the need for inventory at all.

Recommendations: The DNR will continue to implement its improvement program for the hunting and fishing licensing system. The DNR will "close the loop" in accounting for its stamp inventory beginning in License Year 2003. First, the DNR will log in the stamps by serial number when the stamps are received by the DNR. Second, the DNR will retain all returned or unused stamps at the end of the License Year so that the ending "balance" of stamps can be reconciled with the beginning "balance" of stamps. This reconciliation will be verified by personnel outside of the licensing unit. The DNR will allocate audit monies received pursuant to the model.

The DNR does not concur. The DNR has discussed the model implemented for allocating funds into various accounts at length in this response. The allocation is done pursuant to the model immediately and reconciled by the end of the month. The DNR firmly believes that it is in good faith compliance with West Virginia law.

Recommendations: The DNR will continue to implement its improvement program for the hunting and fishing licensing system.

Management of Sales Agents

The DNR is not requiring Sales Agents selling hunting and fishing licenses to comply with the West Virginia Code nor DNR policies regarding reporting and remitting monthly license stamp revenues. Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended, requires those who receive money for the sale of licenses to remit these receipts along with a report detailing the classes of licenses sold to DNR by the first day of the month for the preceding month's sales. In addition, DNR's **WV License Agent Manual For The Sale of Hunting and Fishing Stamps** requires the reports detailing the month's sales, corresponding license applications and the payment to be sent to the Division by the tenth day of the following month. When received by the DNR, the payments are deposited, the Sales Reports are entered into the inventory system, and the completed license applications are then scanned to determine the actual sales data.

While examining the 537 reports submitted to DNR by the 46 Agents tested for License Year 2000, we noted the following:

1. There were 193 instances when the license and stamp quantity detail reported by the Agent on the Agent Stamp Sales Report did not match the scanned detail of licenses and stamps sold from the actual license applications submitted by the Agent;
2. The Agent made an error in calculating the amount due to DNR on the Agent Stamp Sales Report on 11 instances;
3. Applications and payments were submitted to DNR without an Agent Stamp Sales Report on 10 occasions;
4. There were six instances when applications were not submitted with the Agent Stamp Sales Report and payment;
5. Agent Stamp Sales Reports that were not completed with any detail of types and quantities of stamps sold were in the Agents' files on nine occasions;
6. The Agent submitted payment without including the applications or Agent Stamp Sales Report on one occasion;

7. There were seven instances when the total dollar amount on the Agent Stamp Sales Report equaled the total dollar amount of the scanned applications; however, the stamp detail was different;
8. There were five instances when the Agent Stamp Sales Report used by the Agent listed nonresident trout stamps as \$7.50 each when the actual price was \$10.00 each; therefore, the incorrect amount was being reported and remitted;
9. Agent Stamp Sales Reports and applications were submitted without payment on two instances;
10. The Agent generated his own Agent Stamp Sales Report and listed the amount of conservation stamps as \$3.00 each when they were actually \$5.00 each on 10 occasions. Therefore, the incorrect amount was reported and remitted; and
11. There were six instances when the incorrect amount was remitted although the Agent Stamp Sales Report equaled the scanned applications.

In addition, there were 24 instances when Sales Agents failed to report their sales for a particular month, and no documentation was in their files for these months. Also, of the 46 Agents tested, two were terminated and one was inactivated during fiscal year 2001 that have outstanding calculated balances due the DNR for license sales. As of June 13, 2002, Agent #1 was terminated in November 2000 with an outstanding calculated balance of \$1,087.50 for license year 1999 and \$15,669.00 for license year 2000. The Agent #2 was terminated in January 2001 and has an outstanding calculated balance of \$6,217.50 for license year 1999. Also, Agent #3 was inactivated in January 2001 with an outstanding calculated balance of \$2,950.00 for license year 2001.

During fiscal year 2001, Agent #4 did not submit any documentation during the months of November 2000 through June 2001 but was not terminated until January 2002. This Sales Agent has outstanding calculated balances of \$6,930.00, \$7,130.00, and \$6,300.00 for license years 2000, 2001 and 2002, respectively.

Therefore, based on the above instances noted during our testing of Agents' license sales, DNR is not requiring the Sales Agents to follow the West Virginia Code and DNR's policies by reporting the necessary documentation needed to process the license revenue. Since DNR is not managing the sales by the Agent by enforcing compliance with the West Virginia Code and DNR policies, the proper documents are not being received to process license revenues in an efficient and effective manner. Therefore, if Sales Agents are not reporting timely and properly and if these areas of noncompliance are not promptly monitored and corrected, there is a greater risk of outstanding and uncollectible balances. Also, it will be more time consuming for DNR to audit the Sales Agents at the end of the License Year.

Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended, states in part:

"All persons in this state who receive money for licenses and permits required by this chapter shall, on the first day of each month, pay over to the director all moneys so collected by them during the preceding month. Such payment shall be accompanied by a report showing, in the case of license money, the name of the county, the class of license sold, the names and addresses of the persons paying the same, the date of the receipt thereof, the signature of the person receiving and remitting such funds, and such other information as the director may deem necessary. . . ."

In addition, the West Virginia Division of Natural Resources' Hunting and Fishing License Unit's West Virginia License Agent Manual For The Sale of Hunting and Fishing Stamps, Revised April 22, 1998, states in part:

". . . License and Stamp Sales report must be submitted no later than the 10th of each month for all sales made in the prior month. This report must include:

1. Total remittance by check or money order (do not send cash through the mail) for all sales. . .

2. DNR copies of all completed applications for the month. . .
4. You must submit this report each month. . .
2. Agencies may be subject to cancellation at the request of the agent, and for other reasons including, but not limited to those listed below:
 - a. Failure to comply with the laws of Chapter 20 of the Code of West Virginia (Natural Resources Laws) and with administrative rules and regulations. . . .”

According to the License Unit Supervisor, Sales Agents are contacted on a daily basis to request documents which they may have failed to send to DNR; however, during the fall months, this procedure may not happen as often due to the large volume of license stamp sales that are received by DNR (i.e. Deer Season). Also, a Sales Agent may not be informed of differences between the scanned license applications and the Sales Reports until when the year-end audits are performed on the Sales Agents’ accounts unless it is a new or problem Agent. Additionally, the Accounting Technician performs spot audits on the Agents throughout the year and may contact Sales Agents regarding missing documents.

Regarding the Sales Agents noted earlier with outstanding balances due the DNR, there is a bond claim pending with the surety company for Agent #1; and Agent #2 is currently making payments toward the outstanding balance, per the License Unit Supervisor. Additionally, a final collection letter is being sent this week, as of June 13, 2002, to Agent #3; and a bond claim is being prepared for Agent #4.

We recommend the DNR comply with Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended by requiring the Sales Agents to submit the proper documents for monthly sales in a timely manner.

Agency's Response

The DNR concurs in part. The DNR feels that there is adequate monitoring of the Sales Agents to ensure that the DNR receives the monies owed. As noted previously, the agent system is complicated – all the more so by the presence of human error in reporting and returning information to the DNR. Of the examples listed on the audit the DNR notes that these are all illustrations of human error. None of the infractions noted were small and easily explainable. Any of these human errors not detected immediately would be caught by the annual audit. For example, if a sales report was submitted with no payment, that agent would be contacted that day and no further stamp inventory would be authorized until the DNR received payment. As another example, if the agent incorrectly recorded the stamp detail on the sales report, there would be no effect on the allocation, since this is done pursuant to the model. Finally, for a low transaction agent with no sales, it is not unheard of for that agent to not submit a report for that month.

The DNR has a policy of aggressive sales collection for agents who have not paid for the stamps sold. That process includes letters, execution of bonds, and issuance of liens. Nevertheless, there will always be some bad debt under the present system. After collection procedures are implemented, however, the DNR typically has less than \$100,000.00 owed debt outstanding – a small fraction of the nearly \$15 million in sales for the audited year. Further, the DNR continues to pursue a debt as long as possible – there is no set time after which the DNR will simply write it off if there are further collection avenues that can be pursued. The DNR does not believe the current reporting requirements increase the risk of bad debt. After the implementation of point of sale service, which will alleviate many of these debt concerns in and of itself, there will be personnel time freed up to cause immediate compliance by the sales agents. Further, as the audit notes, the DNR already conducts spot audits on agents throughout the year.

The DNR does acknowledge that there can be improvements made in the management of the sales agents and appreciates the time that the auditors have taken to track down examples that the DNR can use when it initiates a dialogue with its sales agents in developing written rules. Point of sale service would also all but eliminate the human errors reflected in the audit.

Recommendations: The DNR will continue to implement its improvement program for the hunting and fishing licensing system. The DNR will work to improve overall sales agent compliance with its policies. The DNR will work with the sales agents to create and implement final rules for legislative approval codifying the DNR's policies and requirements for sales agents.

DNR Policy for Sales Agents' Reports

The DNR's policy regarding when license stamp revenue must be submitted is not in compliance with the West Virginia Code and Sales Agents are not submitting reports in accordance with the DNR policy. DNR's **West Virginia License Agent Manual For The Sale of Hunting and Fishing Stamps** identifies that Sales Agents must submit a Sales Report no later than the 10th day of each month for all sales made in the prior month. All completed license applications, as well as, the total remittance for the sales must be submitted with the Sales Report. However, this policy is not in compliance with the West Virginia Code that requires the moneys for the preceding month to be submitted on the first day of each month. Therefore, there is a difference of nine days between the West Virginia Code's statutorily requirement and DNR's policy

Additionally, although DNR's policy allows Sales Agents to submit the reports by the 10th of the following month, there were 273 Agent Stamp Sales Reports of the 537 audited by us that

were also not submitted by the 10th of the following month. In effect, 50.84% of the reports tested were not submitted in compliance with DNR's policy. The reports were submitted an average of 28 days late, and the number of days late ranged from one day to 149 days. Therefore, DNR is not requiring Sales Agents to report sales according to their policy; and, the DNR policy is not in compliance with the West Virginia Code.

Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended, states in part:

“All persons in this state who receive money for licenses and permits required by this chapter shall, on the first day of each month, pay over to the director all moneys so collected by them during the preceding month. Such payment shall be accompanied by a report showing, in the case of license money, the name of the county, the class of license sold, the names and addresses of the persons paying the same, the date of the receipt thereof, the signature of the person receiving and remitting such funds, and such other information as the director may deem necessary. . . .”

However, the West Virginia Division of Natural Resources' Hunting and Fishing License Unit's West Virginia License Agent Manual For The Sale of Hunting and Fishing Stamps, Revised April 22, 1998, states in part:

“ . . . License and Stamp Sales report must be submitted no later than the 10th of each month for all sales made in the prior month. This report must include:

1. Total remittance by check or money order (do not send cash through the mail) for all sales. . .
2. DNR copies of all completed applications for the month. . .
1. Agencies may be placed on suspension at the discretion of the DNR Charleston office. This is usually caused by an agent's failure to submit a monthly sales report on time. . .

2. Agencies may be subject to cancellation at the request of the agent, and for other reasons including, but not limited to those listed below. . .
4. Being in arrears two (2) consecutive months in submitting License and Stamp Reports. . . .”

According to the License Unit Supervisor, she generally runs a report once per month to determine if a Sales Agent is two months behind in submitting the required reports. However, those Sales Agents that are already inactive do not appear on this report.

We recommend the DNR comply with Chapter 20, Article 2, Section 34 of the West Virginia Code, as amended.

Agency's Response

The DNR concurs in part and disagrees in part. The DNR's rules attempt to give the sales agents time to comply with State law. This is a good faith attempt to keep information and revenue flowing to the DNR. The DNR acknowledges that not all sales agents turn sales reports into the DNR in a timely fashion at all times. The DNR is taking the information from the audit under advisement and will design both rules and policies to help increase compliance. Requiring strict compliance or instituting drastic penalties could, however, put smaller sales agents out of business, thus potentially creating a point of diminishing returns. Point of sale service will also serve to eventually eliminate this issue entirely.

Recommendations: The DNR will continue to implement its improvement program for the hunting and fishing licensing system. The DNR will work to improve overall sales agent compliance with its policies. The DNR will work with the sales agents to create and implement final rules for legislative approval codifying the DNR's policies and requirements for sales agents.

Inaccurate Inventory Listing

DNR was unable to provide us with an accurate inventory listing for the License Account (3200-640). An inventory listing from the WVFIMS Fixed Assets System for those items purchased during fiscal year 2001 was provided; however, according to the Administrative Services Manager for the General Services section, the complete inventory listing for the License Account would include items that were not necessarily purchased from or used for the benefit of this account. The inventory would include additional items because those items purchased by the DNR prior to July 1996 which did not have an identified account number on the inventory listing were included in the inventory of the License Account (3200-640).

Since the DNR was unable to provide an accurate inventory of the License Account, we were unable to determine if the equipment items are being used for their intended purpose and if the State is receiving the benefit of these items. Also, the safeguarding of the DNR's equipment items might be compromised.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

"The head of each agency shall:

... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities...."

Additionally, the State of West Virginia, Department of Administration, Purchasing Division's **Inventory Management Surplus Property Disposition & Inventory Management**

WVFIMS Fixed Asset Training Manual, revised 10/01/99, states in part:

" . . .3.3 Agencies are responsible for all property, regardless of its state (removable or fixed), origin, or acquisition cost. . . ."

According to the Administrative Services Manager, the License Account was selected as a default by the Department of Administration's Financial and Reporting Section (FARS) for those inventory items that did not have an account number indicated on the inventory. It was then believed that the DNR would be able to enter the FIMS system when needed to change these account numbers; however, changes can now only be made if a form requesting the change is submitted for each item to the Purchasing Division or if FARS lifts the control for the entire system to allow DNR to correct these inventory item classifications. Also, as of this past fiscal year, the account number is a required field for entering equipment items into the WVFIMS Fixed Assets System.

We recommend the DNR comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code and the State of West Virginia, Department of Administration, Purchasing Division's Inventory Management Surplus Property Disposition & Inventory Management WVFIMS Fixed Asset Training Manual, by maintaining a complete and accurate inventory listing for the License Account.

Agency's Response

The DNR does not concur. The DNR believes that this section is entirely misleading. In July 1996, the DNR – as well as all other state agencies – was required to use an identified account number for all inventory listed. The DNR believes that since this requirement was instituted, it has fully complied with it. The presence of inventory items acquired prior to July 1996 in the 3200 account should not prompt an audit finding that the DNR is not in compliance with State law. The DNR believes that it is in good faith compliance with state law.

Prior Approval of Annual Leave

While examining the employees' leave records, 10 of the 16 employees tested had Leave Request Forms (Division of Natural Resources Leave Applications) that did not have prior

approval for their annual leave. There were 48 Leave Request Forms for annual leave totaling 734 hours that were not submitted for approval until after the actual annual leave had been taken.

In addition, we noted the Leave Request Forms submitted by the employees of the Wildlife Resources Section and the Law Enforcement Section generally included all leave taken for the entire month. Accordingly, the leave requests were not submitted to the Staffing section to update the employees' leave balances until the end of the month after all of the leave had been taken. According to the Administrative Services Manager for the Staffing Section, the Sections generally allow verbal approval for shorter periods of leave. The employee will then complete a Leave Request Form at the end of the month with all the month's leave recorded on the one form, and the approved forms are then forwarded to the Staffing Section to update the employee's leave balances.

Also, when comparing the employees' leave balances to the corresponding Leave Request Forms and time sheets, we noted differences for three employees; therefore, the employees' Leave Request Forms and time sheets do not accurately support their respective leave balances. The first employee's Leave Request Form and leave record indicate eight hours of annual leave were used on May 7, 2001; however, the employee's time sheet indicates that only five hours of annual leave were used; which is a three hour difference. The second employee's time sheet for the week ending September 22, 2000 indicates 16 hours of annual leave were used on September 18 through September 19, 2000, but there was no Leave Request Form nor was any leave deducted from the employee's annual leave records for that day. The third employee's Leave Request Form and leave record indicate that five hours of sick leave were used on September 19, 2000 while the employee's time sheet indicates that only four hours of sick leave were used resulting in a difference of one hour.

As a result of the differences between the leave records and the corresponding time sheets and Leave Request Forms, one employee has an understated annual leave balance of three hours, one employee has an overstated annual leave balance of 16 hours, and one employee has an understated sick leave balance of one hour. According to the Administrative Services Manager of the Staffing section, the Staffing section receives leave slips and maintains employees leave balances but does not receive or review employee time sheets. Time sheets meanwhile are maintained in the Wildlife Resources and Law Enforcement sections.

Employees are using annual leave prior to written approval from a Supervisor and are submitting Leave Request Forms monthly, which means the leave balances are not maintained on a current basis. Also, during our work, we have located recording errors in the employee leave balances. Therefore, the possibility exists that employees could use and be paid for leave that has not been earned. As a result, DNR risks paying an employee for services before such services have been rendered in noncompliance with State law.

Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, states in part:

“No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered.”

Also, Section 14.3 of the West Virginia Division of Personnel’s Administrative Rule, Chapter 29, Article 6, Section 10, Series 1, 2000 amended, states in part:

“...The employee shall request annual leave in advance of taking the leave...”

We recommend the DNR comply with Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended and Section 14.3 of the Division of Personnel’s Administrative Rule by

requiring employees to obtain prior approval before taking annual leave and to submit Leave Request Forms more frequently to the Staffing Section to ensure employees are not paid before their services have been rendered. Also, we recommend the DNR improve controls over the employee leave records by reconciling the employee leave records, Leave Request Forms, and employee time sheets.

Agency's Response

The DNR concurs in part. Without specific information as to the employees noted, the DNR is unable to verify the information in the audit. The DNR acknowledges that the audit has revealed an area in which the DNR could improve, and the DNR appreciates this information.

The DNR will issue a memo to all supervisors reminding them of DNR and State policy and requesting that close attention be paid to this issue. The DNR does not believe, nor does the audit find, that employees are abusing annual leave.

Recommendations: The DNR will bring the audit findings to the attention of the appropriate supervisors and remind them of DNR and state policy and request that close attention be paid to this issue.

Termination Pay

While testing three of the ten employees paid from the License Account (3200-640) who ended their employment during fiscal year 2001, we noted three instances when the employees received the incorrect amount for their terminal pay and/or their pro-rata increment pay.

Employee #1 was underpaid \$148.97 annual leave and overpaid \$15.15 pro-rata annual increment pay on the October 31, 2000 payroll when retiring from the State. Also, Employee #2 was underpaid \$7.80 (\$3.38 wages and \$4.42 annual leave) on May 16, 2001 after resigning on April 26, 2001.

Further, Employee #3 was not paid the pro-rata increment payment of \$145.83 due from DNR when transferring to another State agency on December 1, 2000. It was noted that the employee's accrued annual and sick leave were transferred to the new employer; however, DNR could not provide us with a copy of the written documentation of the transfer of the leave balances to the other State agency.

Accordingly, the employees' termination payments were calculated incorrectly. One employee was underpaid a net amount of \$133.82 and a second employee was underpaid \$7.80 as they terminated employment with the State. Additionally, a third employee was underpaid \$145.83 (attributed to five months' employment with DNR during fiscal year 2001) as the employee transferred to another State agency. With the third employee, we could not determine whether DNR was charged for this portion of annual increment when the full amount was paid in July 2001 by the other State agency.

Chapter 5, Article 5, Section 2 of the West Virginia Code, as amended, states in part:

"Effective for the fiscal year beginning the first day of July, one thousand nine hundred ninety-six, every eligible employee with three or more years of service shall receive an annual salary increase equal to fifty dollars times the employees' years of service, not to exceed twenty years of service. . . ."

And, Chapter 5, Article 5, Section 3 of the West Virginia Code, as amended, states in part:

". . . The lump sum payment shall be made by the time of what would have been the employee's next regular payday had his employment continued. In determining the amount of annual leave entitlement, weekends, holidays or other periods of normal, noncountable time shall be excluded, . . ."

Further, Section 14.3, Subsection (g) the Administrative Rule of the West Virginia Division of Personnel, as amended, states in part:

“1. When a classified employee transfers or otherwise changes employment from one agency to another, all service credit and hours of accrued annual leave shall be transferred. The previous employer shall provide written documentation of the employee’s annual leave balance to the other agency within thirty (30) calendar days after the employee commences work”(Emphasis added.)

Additionally, Section 14.4, Subsection (i) the Administrative Rule of the West Virginia Division of Personnel, as amended, states in part:

“1. When a classified employee transfers or otherwise changes employment from one agency to another, all hours of accrued sick leave shall be transferred. The previous employer shall provide written documentation of the sick leave balance to the other agency within thirty (30) calendar days after the employee commences work....”(Emphasis added.)

The payment of annual leave for Employee #1 was calculated by the DNR using the method set forth in the Administrative Rule of the West Virginia Division of Personnel, without consideration of the provisions of Chapter 5, Article 5, Section 3 of the West Virginia Code. In the calculation, the DNR included holidays as countable days as directed by the Division of Personnel rather than excluding them as set forth in Chapter 5, Article 5, Section 3 of the West Virginia Code.

Employee #2's final payment was calculated without consideration of pro-rata annual leave accrued for March 6, 2001, which was the last day of work. Also, the wages for March 6, were calculated without consideration of the provisions of Chapter 5, Article 5, Section 3 of the West Virginia Code.

The reason given why the DNR did not pay the pro-rata increment due Employee #3 when transferring to another State Agency was that DNR's policy is to only pay an employee pro-rata

increment when the employee terminates employment with the State. For an employee transferring to another State agency, the employee would be paid his/her full increment in July by the current employer.

We recommend the DNR comply with Chapter 5, Article 5, Sections 2 and 3, of the West Virginia Code, as amended; and Sections 14.3 and 14.4 of the West Virginia Division of Personnel's Administrative Rule.

Agency's Response

The DNR does not concur. Termination pay is calculated pursuant to the guidelines issued by the Division of Personnel. The calculated termination pay is then submitted to the Division of Personnel, which checks this calculation for accuracy. Any errors in calculation are sent back to the DNR. The DNR has no reason to believe, since it was not notified of any error by the Division of Personnel, that termination pay was not properly made. The DNR also notes that the amount for all three employees was less than \$300.00 and that in each instance, according to the audit, the employee was underpaid. If the audit has any further information regarding the calculation of termination pay, the DNR requests that the auditor, the Division of Personnel and the DNR conference about this issue to clear up any misinformation. Finally, the DNR believes that it is in good faith compliance with all State laws.

Time Sheets

The DNR was unable to provide us with time sheets for four of the 16 employees for fiscal year 2001. Three of the four employees were employed in the Administration section and one employee was employed by the Law Enforcement section as an Office Assistant. Also, DNR was unable to provide time sheets for one Law Enforcement employee for the period July 1, 2000 through

March 1, 2001. Since the hours actually worked by the employees could not be determined, we were unable to verify the accuracy of the sick and annual leave balances and the payroll amounts paid for these employees.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:
... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities....”

According to the Administrative Services Manager, employees of the Administration section are not required to maintain time sheets, unless they are part-time employees or full-time employees working overtime. Also, as told to us by the Administrative Secretary in Law Enforcement, the Office Assistant was not required to maintain time sheets for the period audited by us. However, as of July 1, 2001 time sheets are required for this employee. In addition, according to a note attached to the time sheets for the employee with no time sheets for the period of July 1, 2000 through March 1, 2001, the time sheets had been entered into a computer system and subsequently lost.

We recommend the DNR comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code by maintaining time sheets to properly support the employees’ leave balances and payroll amounts.

Agency’s Response

The DNR concurs in part. The audit correctly points out that not all DNR employees are required to keep time and attendance reports, although many DNR personnel are. The DNR does not believe that there is an abuse of either annual leave or sick leave, but does

appreciate the audit's insight into potential problems that may arise without time and attendance reports to reconcile these issues. The DNR will, therefore, investigate the implementation of requiring time and attendance reports from the remaining DNR personnel who are not otherwise required to complete time and attendance reports.

Recommendations: The DNR will investigate the implementation of requiring time sheets from the remaining DNR personnel who are not otherwise required to complete time sheets.

Authorization Required for Payment

There were two instances when the invoice was not properly approved for payment by an appropriate employee certifying goods or services were received. An Engineering Technician approved a payment totaling \$510.24 for a dump truck rental and material for the Wildlife Resources section, and a Travel Expense Account Settlement form totaling \$756.72 was not signed by a Supervisor approving the travel expenses submitted by the employee. Since the DNR paid for goods or services without proper approval from the appropriate personnel, the DNR could have paid for goods or services not directly related to the Division's expenses or for actual goods or services that were not received by DNR.

Additionally, four of the 16 employees included in our test of payroll transactions had time sheets not signed by their supervisor authorizing the time worked by the employee on a total of 27 time sheets during fiscal year 2001. Employee #1 had two time sheets, Employee #2 had two time sheets, Employee #3 had one time sheet, and Employee #4 had 22 time sheets that were not signed by a Supervisor verifying the time actually worked. As a result, we were unable to determine if the employees actually worked the time for which they were paid and to verify these payment amounts.

Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

“The head of each agency shall:

... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities....”

According to the Business Manager of Wildlife Resources, the section has observed the Engineering Technician approving invoices in the past and has informed this employee not to approve further invoices. Also, according to the Accounting Technician responsible for processing travel payments, the Travel Expense Account Settlement form was copied for DNR’s records before it was signed by the Supervisor and sent to the State Auditor’s Office.

We recommend the DNR comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code by properly approving time sheets and invoices for payment and by maintaining copies of the invoices supporting payments.

Agency’s Response

The DNR concurs. The DNR appreciates the level of detail in an audit that can uncover two instances in which an invoice was not properly approved by an employee responsible for approving expenditures. The DNR does not believe that this represents an abuse of the system, but rather administrative error. The DNR believes that the issue relating to payment authorization has already been addressed. The DNR will investigate these findings as well as the issue of signed time sheets, and bring this to the attention of the appropriate supervisors, once this can be determined. The DNR believes that it is in good faith compliance with all State laws.

Recommendations: The DNR will bring the audit findings to the attention of the appropriate supervisors and remind them of DNR and state policy and request that close attention be paid to this issue.

Incorrect Use of Object Codes

While testing disbursement transactions, we noted one purchasing card disbursement transaction that was not charged to the appropriate object code. The purchase card disbursement consisted of 20 individual purchase card transactions by various Law Enforcement Section employees. The entire disbursement paid on October 23, 2000 totaling \$5,948.76 was charged to object code 061 - Office and Communication Equipment Repairs. Of the 20 transactions making up the \$5,948.76 disbursement, DNR was able to provide 11 receipts/invoices totaling \$2,440.18. These 11 receipts/invoices which were provided indicated the disbursements should actually have been charged to the object codes as shown below rather than being uniformly charged to Object Code 061:

<u>Number</u>	<u>Description</u>	<u>Object Code</u>	<u>Amount</u>
1	Vehicle Maintenance Expense	036	\$ 229.90
2	Vehicle Maintenance Expense	036	137.94
3	Hospitality	042	56.44
4	Office Expenses	020	63.30
5	Office and Communication Equipment Repairs	061	790.00
6	Office and Communication Equipment Repairs	061	230.95
7	Office and Communication Equipment Repairs	061	605.45
8	Vehicle Maintenance Expense	036	44.94
9	Vehicle Maintenance Expense	036	-5.00
10	Vehicle Maintenance Expense	036	269.76
11	Vehicle Maintenance Expense	036	<u>16.50</u>
	Total		<u>\$2,440.18</u>

Therefore, eight of the 11 transactions totaling \$813.78 were not charged to the correct object code. Also, the remaining nine receipts/invoices totaling \$3,508.58 that were not provided to us were charged to object code 061, although the actual object code information was not known at the time of payment.

When transactions are classified using the wrong object code, the DNR's financial disbursements are not properly classified. Thus, the DNR's financial statements would not properly reflect the actual use made of the moneys expended and the value of the financial data would be diminished as far as its use when preparing the following year's budget.

The West Virginia State Auditor's State Purchasing Card Program's Policies and Procedures dated July 2000 states in part:

“. . . All object codes are available for use. Each purchase should be assigned the appropriate code. . . WVFIMS coversheets must have the appropriate object codes assigned. WVFIMS object codes must correspond with the type of purchase as defined in the expenditure schedule. . . .”

Additionally, the State of West Virginia Expenditure Schedule Instructions, Fiscal Year 2001, state in part:

“. . . 061 - **Office and Communication Equipment Repairs:** Labor and/or materials used in the repair of an office machine. . . .”

According to the Accounting Technician responsible for processing these purchase card transactions, a transaction would be classified under the most commonly used object code when an invoice or receipt has not been received for the transaction in order to timely pay the purchasing card statement. According to the Administrative Services Manager of Fiscal Services, receipts/invoices are not always timely provided to the Accounts Payable section

from the cardholders. In such instances, letters are sent to the cardholders notifying them of which receipt/invoices are missing and asking the cardholders to submit them; however, these receipts/invoices are not always submitted to the Accounting Section as requested. Later, when or if the receipts/invoices were received, an expense-to-expense transaction would be completed to transfer the amounts to the correct object codes. After reviewing DNR's transactions for fiscal year 2001, we noted that the two transactions for vehicle maintenance in the amounts of \$229.90 and \$137.94, totaling \$367.84, were corrected and charged to the correct object code 036 on February 13, 2001.

We recommend the DNR comply with the State Auditor's Purchasing Card Program's Policies and Procedures and the State of West Virginia Expenditure Schedule Instructions by assigning the appropriate object code to payment transactions.

Agency's Response

The DNR concurs to the extent that it acknowledges the audit found some instances in which object codes may have been applied incorrectly in purchasing card disbursement transactions. The DNR believes, however, that it is in good faith compliance with the laws of West Virginia. Moreover, the DNR does not believe that the audit findings evidence any abuse of purchasing card disbursement transactions, but rather were caused by human error. Nevertheless, the DNR has been addressing this issue through meetings designed to improve internal controls of purchasing card transactions. The DNR appreciates the information in the audit relating to this issue and will incorporate it in further discussion.

Recommendations: *The DNR will continue to work to improve internal controls of purchasing card transactions.*

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash and investment balances of the License Account of the West Virginia Division of Natural Resources for the year ended June 30, 2001. The financial statement is the responsibility of the management of the West Virginia Division of Natural Resources. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient competent evidential matter to determine whether recorded hunting and fishing license fee revenues of \$15,495,473.36 for the year ended June 30, 2001, represents the amount actually collected because the Division of Natural Resources does not have an effective system of internal controls in place to adequately maintain their license stamp inventory because the Division of Natural Resources does not fully account for all license stamps destroyed at the end of the licensing year which were never issued from the Store Room; therefore, it is not possible to account for all license stamps. Also, license stamp sales are not integrated with the inventory system which means the Division of Natural Resources is not fully and completely accounting for both the inventory of license stamps held by Sales Agents and the amounts of license stamp revenues due from the Sales Agents on a monthly basis. We were unable to apply alternative procedures to satisfy ourselves as to the fairness of this amount.

As described in Note A, the financial statement was prepared on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of our inability to determine the actual amount of hunting and fishing license fee revenues as set forth in paragraph three above, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of the License Account of the West Virginia Division of Natural Resources for the year ended June 30, 2001 on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and except for the effects, if any, of the matters discussed in paragraph three above, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,


Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

August 7, 2002

Auditors: Michael E. Sizemore, CPA, Supervisor
Melanie L. Nuckols, CPA, Auditor-in-Charge
Peter J. Maruish, Jr., CPA
Amanda L. Poff
Sheela S. Francis

WEST VIRGINIA DIVISION OF NATURAL RESOURCES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH AND INVESTMENT BALANCES
LICENSE ACCOUNT - WILDLIFE RESOURCES

Year Ended
June 30, 2001

Cash Receipts:	
Hunting and Fishing License Fees	\$15,495,473.36
Endowment Fund Interest Transfers	788,392.80
Investment Earnings	618,457.08
Other Collections, Fees, Licenses and Income	53,659.55
Miscellaneous Collections	<u>653.19</u>
	<u>16,956,635.98</u>
Disbursements:	
Personal Services	7,083,194.22
Employee Benefits	2,473,870.04
Current Expenses	2,035,447.93
Repairs and Alterations	594,418.09
Equipment	73,486.06
Other Extraordinary Disbursements	590,012.73
Transfers to Bear Damage Account	114,098.00
Transfers to Migratory Waterfowl Stamp Account	17,096.00
Transfers to Conservation Stamp Account	1,680,677.00
Transfers to Trout Stamp Account	1,352,401.00
Transfers to Law Enforcement Program Account	<u>609,901.00</u>
	<u>16,624,602.07</u>
Cash Receipts Over Disbursements	332,033.91
Beginning Balance	<u>11,841,050.68</u>
Ending Balance	<u>\$12,173,084.59</u>

See Notes to Financial Statement

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

HUNTING AND FISHING - LICENSE ACCOUNT

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

Accounting Method: The cash basis of accounting was followed for the License Account of the West Virginia Division of Natural Resources. Therefore, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Note B - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their annual compensation and employees have vested rights under certain circumstances. The West Virginia Division of Natural Resources matches contributions at 9.5% of the compensation on which the employees made contributions. The West Virginia Division of Natural Resources pension expenditures were \$656,286.44 for the year ended June 30, 2001.

Note C - Cash and Investment Balances

The amounts of the cash and investment balances were as follows:

	<u>June 30, 2001</u>
Cash	\$ 2,122,658.79
Investments	<u>10,050,425.80</u>
	<u>\$12,173,084.59</u>

SUPPLEMENTAL INFORMATION

WEST VIRGINIA DIVISION OF NATURAL RESOURCES
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

	<u>Year Ended June 30, 2001</u>
<u>License Account - Personal Services (3200 - 001)</u>	
Appropriations	\$7,312,349.00
Expenditures:	
Personal Services	6,513,442.04
Employee Benefits	<u>85.00</u>
	<u>6,513,527.04</u>
	798,821.96
Transmittals Paid After June 30	<u>21,668.73</u>
Ending Balance	<u>\$ 820,490.69</u>

<u>License Account - Annual Increment (3200 - 004)</u>	
Appropriations	\$149,491.00
Expenditures	<u>136,758.32</u>
	12,732.68
Transmittals Paid After June 30	<u>0.00</u>
Balance	<u>\$ 12,732.68</u>

WEST VIRGINIA DIVISION OF NATURAL RESOURCES
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

	<u>Year Ended</u> <u>June 30, 2001</u>
<u>License Account - Employee Benefits (3200 - 010)</u>	
Appropriations	\$2,730,659.00
Expenditures	<u>2,337,037.52</u> 393,621.48
Transmittals Paid After June 30	<u>34,982.28</u>
Balance	<u>\$ 428,603.76</u>
<u>License Account - Unclassified (3200 - 099)</u>	
Appropriations	\$2,344,427.00
Expenditures:	
Current Expenses	1,760,464.43
Repairs and Alterations	185,755.80
Equipment	250,320.71
Other Extraordinary Disbursements	<u>10,973.22</u>
	<u>2,207,514.16</u>
	136,912.84
Transmittals Paid After June 30	<u>618,151.45</u>
Balance	<u>\$ 755,064.29</u>

WEST VIRGINIA DIVISION OF NATURAL RESOURCES
STATEMENTS OF APPROPRIATIONS AND EXPENDITURES
SPECIAL REVENUE

	Year Ended June 30, 2001
<u>License Account -</u>	
<u>Capital Improvements & Land Purchases (3200 - 248)</u>	
Appropriations	\$1,679,396.00
FY 1993 Reappropriations	212.85
FY 1997 Reappropriations	81.47
FY 1998 Reappropriations	296,277.26
FY 1999 Reappropriations	471,580.81
FY 2000 Reappropriations	<u>1,063,074.91</u>
	3,510,623.30
Expenditures:	
Personal Services	168,394.00
Employee Benefits	48,526.63
Current Expenses:	345,438.13
Repairs and Alterations:	398,904.60
Equipment	7,175.60
Other Extraordinary Disbursements	<u>579,587.45</u>
	<u>1,548,026.41</u>
	1,962,596.89
Transmittals Paid After June 30	<u>0.00</u>
Balance	<u>\$1,962,596.89</u>
 <u>License Account - BRIM Premium (3200 - 913)</u>	
Appropriations	\$547,942.00
Expenditures:	
Current Expenses:	<u>48,789.96</u>
	<u>48,789.96</u>
	499,152.04
Transmittals Paid After June 30:	<u>0.00</u>
Balance	<u>\$499,152.04</u>

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

LICENSE ACCOUNT - WILDLIFE RESOURCES

INVESTMENT ACCOUNT

SPECIAL REVENUE

	Year Ended <u>June 30, 2001</u>
<u>License Sales Receipts Acct. 370000000-01</u>	
Additions:	
Dividends Reinvested	\$ 490,204.58
Transfers to State Board of Investments	<u>15,806,518.00</u>
	16,296,722.58
Deductions:	
Withdrawals from State Board of Investments	<u>17,264,502.00</u> (967,779.42)
Beginning Balance	<u>8,631,848.47</u>
Ending Balance	<u>\$7,664,069.05</u>

WEST VIRGINIA DIVISION OF NATURAL RESOURCES

LICENSE ACCOUNT - WILDLIFE RESOURCES

INVESTMENT ACCOUNT

SPECIAL REVENUE

	Year Ended <u>June 30, 2001</u>
<u>10% Capital Improvement Acct. 370000000-02</u>	
Additions:	
Dividends Reinvested	\$ 128,252.50
Transfers to State Board of Investments	<u>1,798,080.87</u>
	1,926,333.37
Deductions:	
Withdrawals from State Board of Investments	<u>1,526,503.35</u>
	399,830.02
Beginning Balance	<u>1,986,526.73</u>
Ending Balance	<u><u>\$2,386,356.75</u></u>

**WEST VIRGINIA DIVISION OF NATURAL RESOURCES
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
LICENSE ACCOUNT - WILDLIFE RESOURCES -
CASH CONTROL - (3200-640)**

**Year Ended
June 30, 2001**

Beginning Balance:		
Cash Balance		\$ 1,222,675.48
Cash Receipts:		
Investment Earnings	634,945.53	
Endowment Fund Interest Transfers	788,392.80	
Miscellaneous Collections	653.19	
Hunting and Fishing License Fees	15,495,473.36	
Other Collections, Fees, Licenses and Income	<u>53,659.55</u>	
		<u>16,973,124.43</u>
TOTAL CASH TO ACCOUNT FOR:		<u>\$ 18,195,799.91</u>
Ending Balance:		
Cash Balance		\$ 2,122,658.79
Disbursements:		
Personal Services	6,818,594.36	
Employee Benefits	2,385,649.15	
Current Expenses	2,154,692.52	
Repairs and Alterations	584,660.40	
Equipment	257,496.31	
Other Extraordinary Disbursements	590,560.67	
Investments - Net	(551,460.95)	
Transfers to Bear Damage Account	114,098.00	
Transfers to Migratory Waterfowl Stamp Account	17,096.00	
Transfers to Conservation Stamp Account	1,680,677.00	
Transfers to Trout Stamp Account	1,352,401.00	
Transfers to Law Enforcement Program Account	<u>609,901.00</u>	
		<u>16,014,365.46</u>

CONTINUED ON NEXT PAGE.

**WEST VIRGINIA DIVISION OF NATURAL RESOURCES
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
LICENSE ACCOUNT - WILDLIFE RESOURCES -
CASH CONTROL - (3200-640)**

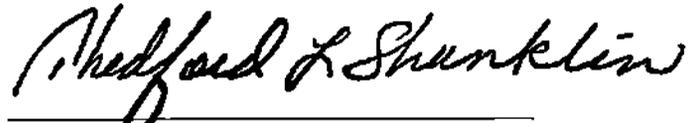
Add transactions paid after June 30 Beginning and (Less Transactions Paid after June 30 Ending):	
Personal Services	286,268.59
(Personal Services)	(21,668.73)
Employee Benefits	123,203.17
(Employee Benefits)	(34,982.28)
Current Expenses	277,164.03
(Current Expenses)	(396,408.62)
Repairs and Alterations	22,349.69
(Repairs and Alterations)	(12,592.00)
Equipment	24,592.64
(Equipment)	(208,602.89)
Other Extraordinary Disbursements	0.00
(Other Extraordinary Disbursements)	<u>(547.94)</u>
	<u>58,775.66</u>
	<u>16,073,141.12</u>
TOTAL CASH ACCOUNTED FOR	<u>\$18,195,799.91</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 19th day of August 2002.



Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to West Virginia Division of Natural Resources; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.