

OPERATIONAL AUDIT

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

For the period July 1, 2014 through December 31, 2016



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
Oklahoma Department of Wildlife Conservation**

**For the Period
July 1, 2014 through December 31, 2016**



Oklahoma State Auditor & Inspector

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April 30, 2018

TO GOVERNOR MARY FALLIN

This is the audit report of the Oklahoma Department of Wildlife Conservation for the period July 1, 2014 through December 31, 2016. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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Background

The Oklahoma Department of Wildlife Conservation (ODWC or the Agency) was created by Article XXVI of the Oklahoma Constitution. The mission of the ODWC is the management, protection, and enhancement of wildlife resources and habitat for the scientific, educational, recreational, aesthetic, and economic benefits to present and future generations of citizens and visitors to Oklahoma. The ODWC does not receive state appropriations. Under the Constitutional provisions, the ODWC is governed by the Wildlife Conservation Director under such rules, regulations and policies as shall be directed by an eight-member Oklahoma Wildlife Conservation Commission. Each of the eight members of the Commission is appointed by the Governor and with the consent of the Oklahoma Senate. Each member represents one of the eight individual Districts in Oklahoma and is appointed for a term of eight years.

Board members as of April 2018 are:

Robert S. Hughes II	District 1
Bruce R. Mabrey	District 2
Bill Brewster.....	District 3
Leigh Gaddis.....	District 4
James V. Barwick.....	District 5
John P. Zelbst.....	District 6
Danny Robbins	District 7
John D. Groendyke	District 8

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2015 and 2016 (July 1, 2014 through June 30, 2016).

Sources and Uses of Funds for FY 2015 and FY 2016

	2015	2016
Sources:		
Federal Reimbursements	\$ 24,648,047	\$ 21,412,657
Wildlife Hunting License	8,265,268	7,862,952
Wildlife Fishing License	7,435,144	6,958,129
Wildlife Other Lic Permit Fee	6,515,334	3,657,986
Other Sales and Services	4,636,999	3,225,283
Wildlife Combination Fish/Hunt	3,394,914	2,970,562
Royalties from Oil & Gas & Other Mineral	1,086,621	1,075,455
Right-of-Way Easements	1,744,497	1,326,791
Contributions-Capital Outlay	714,162	514,110
Sale of Land and/or Land Improv	785,377	45,976
Sale-Mot. Vehs, Machinery & Equipment	409,950	407,250
Fish & Game Law Fines	383,402	293,796
Tag Agent Remittance	274,011	268,771
Interest on Investments	241,496	241,357
Other Revenues	291,552	62,971
Total Sources	\$ 60,826,774	\$ 50,324,046
Uses:		
Personnel Services	\$ 27,437,050	\$ 27,791,910
Property, Furniture, Equipment	14,145,322	5,783,583
Administrative Expenses	7,200,847	7,508,721
Professional Services	3,738,231	5,767,294
Assistance, Payments to Local Govn'ts	1,771,231	1,904,838
Transfers and Other Disbursements	2,703,486	2,190,618
Travel	423,125	416,279
Total Uses	\$ 57,419,292	\$ 51,363,243

Source: Oklahoma PeopleSoft accounting system (unaudited, for informational purposes only)

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Scope and Methodology

Our audit was conducted in response to Governor Fallin's request, in accordance with 74 O.S. § 212.C and 213.2.B.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2014 through December 31, 2016.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Department of Wildlife Conservation operations. Further details regarding our methodology are included under each conclusion.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

OBJECTIVE

Determine whether the Agency's internal controls provide reasonable assurance that revenues, expenditures (both miscellaneous and payroll), and inventory were accurately reported in the accounting records.

Conclusion

The Agency's internal controls provide reasonable assurance that revenue and payroll expenditures were accurately reported in the accounting records. The Agency's internal controls do not provide reasonable assurance that miscellaneous expenditures and inventory were accurately reported in the accounting records.

Financial operations complied with significant sections Title 29 of Oklahoma Statutes regulating deposits to and expenditures from the

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Wildlife Diversity Fund, Wildlife Land Acquisition Fund, Wildlife Heritage Fund, and Wildlife Land Fund.

Objective Methodology

To accomplish our objective, we performed the following:

- Documented significant internal controls related to receipting and tested those controls, which included:
 - Reviewing a random sample of 50 physical deposits (14% of population tested) to ensure all funds received were documented and reviewed by someone independent of the receipting process.
 - Reviewing a random sample of 8 monthly clearing account reconciliations (27% of months in the population tested) to ensure the reconciliations were properly completed and reviewed. Concurrently reviewing the Agency fund transfer breakdown for the same months to ensure compliance with 29 O.S. § 4-141, 29 O.S. § 4-113.1, 29 O.S. § 4-114, 29 O.S. § 4-134, and 29 O.S. § 4-132.D.
 - Reviewing documentation from a random sample of 36 wardens (10% of the annual warden population) to ensure the Administrative Fine and Temporary License booklets were reconciled to the agency internal system.
- Documented significant internal controls related to miscellaneous expenditures; see results in related finding.
- Documented significant internal controls related to payroll expenditures and tested those controls, which included:
 - Reviewing a random sample of 8 months from the period (27% of months in the population tested) to ensure timesheets and supporting documentation for two haphazardly selected employees from each month were reviewed and approved by the employee's supervisor; and the month's payroll claim documents were independently reviewed and approved by the Assistant Director.
 - Reviewing 25 randomly selected payroll changes (2% of the population tested) to ensure the changes were appropriately documented and approved.
- Documented significant internal controls and process factors related to inventory; see results in related finding.
- Reviewed 22 randomly selected expenditure claims from the Wildlife Diversity Fund (11% of expenditures in the population tested) to ensure compliance with 29 O.S. § 3-310.
- Reviewed 5 randomly selected expenditure claims from the Wildlife Land Acquisition Fund (29% of expenditures in the population tested) to ensure compliance with 26 O.S. § 4-132.D.

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- Reviewed the 1 expenditure claim from the audit period from the Wildlife Heritage Fund (100% of expenditures in the population tested) to ensure compliance with 29 O.S. § 4-134.
- Reviewed 12 randomly selected expenditure claims from the Wildlife Land Fund (55% of expenditures in the population tested) to ensure compliance with 29 O.S. § 4-141.

FINDINGS AND RECOMMENDATIONS

Independent, Comprehensive Review of Non-Payroll Expenditures Needed

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (2014 revision)¹ states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets."

Purchases can be requested by anyone, are approved by various levels of staff or management depending on dollar value, and are made by the Property Tech. Invoices are approved by whoever requested the item and the Property Tech. Payments are then posted in the Statewide Accounting System by the Accounting Tech. Claim Jackets are approved by the Accountant. There is no further review of expenditures performed after that point.

While reviews are in place during the purchasing and expenditure processes, the now standard use of electronic payments (meaning no paper warrants are produced for review) and the potential for forging signatures indicating reviews increase the risk of the individual who posts expenditures making an unapproved or erroneous payment. An after the fact review of expenditures is key to ensuring this has not occurred. Such a review can be delegated to knowledgeable individuals who are independent of posting expenditures, and may be performed on a random basis.

As noted earlier, internal control standards emphasize the importance of segregation of duties; in this case, the key segregation is between the individual making the payments and the reviewers ensuring those expenditures were made appropriately.

Recommendation

Someone independent of paying invoices should perform a line-item detailed review of expenditures, using a report such as the PeopleSoft 6-

¹ Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

digit detail of expenditure report. The review should be properly documented by signing, dating, and retaining a copy in either print or electronic form.

Views of Responsible Officials

The Oklahoma Department of Wildlife Conservation agrees with the finding that someone independent of the expenditure process should perform a line-item detailed review of expenditures. We will provide the PeopleSoft 6-Digit detail of expenditure report to the Division Chiefs, the Assistant Director of Operations, Assistant Director of Administration and Finance, and the Director for review. The Director will designate someone to review, sign, and date the expenditure report.

Inadequate Segregation of Duties Related to Inventory

The GAO *Standards* state in part, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. No one individual should control all key aspects of a transaction." In addition, the *Standards* advise that management must establish physical control to secure and safeguard vulnerable assets; periodically count and compare such assets to control records; design an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an agency's assets.

Inventory records are maintained centrally, and supervisors are responsible for verifying the employee's items during annual inventory counts. The counts are then signed and approved by the supervisor and division chiefs. The results of inventory counts are then submitted to the property manager, but the final results and adjustments are not reviewed by an independent member of management to ensure any adjustments are appropriate.

Without an independent member of management reviewing the results and verifying the appropriateness of the adjustments, the inventory records could be misstated or items taken without detection.

Additionally, our discussions with staff members indicated that some employees have been assigned equipment that may appear excessive given the employee's specific job duties (for example, multiple guns or cameras for members of administration). While our procedures indicated that the items in question have been approved and were properly listed on the inventory records, even the appearance of favoritism or purchasing abuse can affect staff morale and public perception of the Agency. Consideration of these factors is key in management's purchasing decisions.

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Recommendation

We recommend that at the conclusion of the annual inventory count, management should review the results, approving any adjustments and comparing the previous year's records to ensure any additions and deletions are appropriate. This review should be documented and retained (for example, by signing and dating the results of the count).

In addition, when approving equipment purchases or assignments, management should ensure inventory items are provided to employees in line with their official job duties, to avoid the appearance of favoritism or inefficiencies.

Views of Responsible Officials

The Oklahoma Department of Wildlife Conservation already has a policy in place for inventory review. Every supervisor performs a physical review of their employees' inventory annually. The supervisor shows proof of this review by signing and dating each employee's inventory sheet. That sheet is then approved by the Chief or Assistant Chief. If an inventory item is to be deleted, the request must be signed by the employee's supervisor, Chief, Assistant Director, and Director. To add inventory, the inventory addition form is sent in with the invoice or p/card statement. It is routed through Accounting during the payment process and then submitted by Property for identification of inventory property codes. Monthly, Property compiles all additions and deletions and submits them to accounting to be entered into the inventory system. There are no signatures on inventory addition sheets, but the invoice or p/card receipt and statement have been approved by the employee and the employee's supervisor. Current policy allows equipment to be assigned to any employee's inventory regardless of the purchaser and approver. ODWC agrees that this policy should be reviewed for standardization of equipment as it relates to each job classification. Any change to current policy must be approved by the Oklahoma Department of Wildlife Conservation Commission.

Auditor Response

While management does appear to have a complex process in place for maintaining inventory records, we reiterate that management should review the results of annual inventory counts, approving any adjustments resulting from the count and comparing to the previous year's records as needed to ensure any additions and deletions are appropriate. This review is key to ensuring the count was conducted appropriately and any errors or misappropriations outside the normal process are identified.



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