

DEPARTMENT OF WILDLIFE AND FISHERIES
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 19, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Wildlife and Fisheries

June 2019

Audit Control # 80190016

Introduction

The primary purpose of our procedures at the Department of Wildlife and Fisheries (LDWF) was to evaluate certain controls LDWF uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

Results of Our Procedures

We evaluated LDWF's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LDWF's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to purchasing card expenditures, fuel card expenditures, contract expenditures, revenue collection for recreational hunting and fishing licenses, payroll expenditures, unmanned aircraft systems, and licenses and royalties for the dredging of fill material from state water bottoms. In addition, we performed procedures on certain statutory dedications in accordance with Act 530 of the 2018 Regular Legislative Session.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in LDWF's procedural report dated August 23, 2017. We determined that management has resolved the prior-report findings related to Lack of Controls over Fill Material Licenses and Royalties, Inadequate Controls over Time and Attendance, and Noncompliance with Federal Regulations over Unmanned Aircraft Systems.

Current-report Findings

Inadequate Controls over Fuel Cards

LDWF did not timely deactivate fuel card personal identification numbers (PINs) associated with fuel cards for individuals upon separation of employment with the department, increasing the risk of unauthorized use.

During our procedures, 27 employees were identified with fuel card access during the period July 1, 2017, through February 19, 2019, whose fuel card access was not deactivated until eight to 772 days (or an average of 108 days) after separation of employment from LDWF. Access for one of those employees was not terminated until April 2, 2019, after auditors informed LDWF of the former employee's active fuel card status.

LDWF procedures require supervisors to send separation notices immediately upon employee separation. The responsible parties are then to terminate the employee's fuel card access immediately. Of the 27 employees identified, 16 (59%) of the separation notices were not sent out on or before the employee's separation date. These notices were sent between two and 62 days (or an average of 18 days) after the employee's separation date. A separation notice was not provided at all for one of the employees. The remaining 11 untimely access deactivations were the result of access not being terminated immediately upon receipt of the separation notice.

LDWF should enforce its established policies and procedures to ensure separation notices are sent and each employee's fuel card PIN is deactivated immediately upon termination of employment with the department. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Weakness in Controls over LaCarte Card Purchases

LDWF failed to ensure employees obtained prior approval from the working supervisor before purchases exceeding \$500 were made. In a review of 29 transactions exceeding \$500 from the period July 1, 2017, through December 31, 2018, 11 (38%) transactions lacked evidence of prior authorization to purchase, increasing the risk that fraudulent or unauthorized purchases could be made.

LDWF's LaCarte card policy requires employees to obtain written approval from the working supervisor before purchases equal to or greater than \$500 are made. All 11 of the transactions noted above were approved by the appropriate supervisor subsequent to the purchase.

LDWF should ensure all LaCarte card purchases are made in accordance with department policies. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Purchasing Card Expenditures

LDWF participates in the state of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenditures. We obtained an understanding of LDWF's controls over access to and use of these cards. We analyzed LaCarte card transaction listings for the period July 1, 2017, through December 31, 2018, and reviewed selected transactions. Based on the results of our procedures, except as noted in the Current-report Findings section, LDWF had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Fuel Card Expenditures

LDWF participates in the state of Louisiana's fuel card program for fuel and vehicle maintenance expenditures. We obtained an understanding of LDWF's controls over access to and use of these cards. We analyzed fuel card transaction listings for the period July 1, 2017, through December 31, 2018, and reviewed selected transactions. In addition, we reviewed LDWF's deactivation of fuel card PINs when employees separate from the department. Based on the results of our procedures, except as noted in the Current-report Findings section, LDWF had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were reviewed and properly reconciled to invoices, receipts, and vehicle logs.

Contract Expenditures

We obtained an understanding of LDWF's controls over operating, professional, governmental, and consulting services, and cooperative endeavor agreements. We examined the agreements and related supporting documentation for 15 selected purchase orders with expenditures during the period July 1, 2017, through December 31, 2018. Based on the results of our procedures, LDWF had adequate controls in place to ensure that contracts were properly authorized and administered in accordance with state law, and contract expenditures were made for proper business purposes and were accurately recorded in the financial records.

Revenue Collection – Recreational Hunting and Fishing Licenses

Recreational hunting and fishing license revenue of \$18.6 million and \$13.1 million were collected by LDWF in fiscal years 2018 and 2019 (as of December 31, 2018), respectively, through its sports license point-of-sale (POS) system. On February 1, 2018, LDWF replaced the vendor for this POS system. We obtained an understanding of controls over the recreational hunting and fishing licensing system and the conversion process to the new vendor. Based on the results of our procedures, LDWF had adequate controls in place to ensure that data successfully converted to the new system, revenues were properly reported and reconciled to collections, and system access was limited to employees with a business need.

Payroll Expenditures

Salaries and related benefits comprised approximately 63% and 68% of LDWF's expenditures in fiscal years 2018 and 2019 (as of April 30, 2019), respectively. Based on the prior-report finding, we performed procedures to determine if time statements were certified by employees and/or approved by a supervisor, and if employee leave and overtime were approved by a supervisor. We obtained an understanding of LDWF's controls over the time and attendance

function and reviewed selected employee time statements and leave records. Based on the results of our procedures, LDWF had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for. Therefore, the prior-report finding relating to Inadequate Controls over Time and Attendance was resolved.

Unmanned Aircraft Systems

Based on the prior-report finding, we performed procedures to determine if LDWF had established and implemented policies and procedures related to the use of drones to ensure compliance with the Federal Aviation Administration (FAA) regulations over unmanned aircraft systems (drones). Based on the results of our procedures, LDWF has established written policies, effective January 8, 2019, to ensure compliance with FAA regulations and has ceased operating drones until the required registration and licenses are obtained. Therefore, the prior-report finding relating to Noncompliance with Federal Regulations over Unmanned Aircraft Systems was resolved.

Licenses and Royalties for the Dredging of Fill Material from State Water Bottoms

Based on the prior-report finding, we performed procedures to determine if LDWF had implemented adequate controls over licenses and royalties for the dredging of fill material from state water bottoms. Based on the results of our procedures, LDWF had implemented adequate controls to ensure that license fees and royalty payments were accurately accounted for and reconciled to the payments owed to LDWF. Therefore, the prior-report finding relating to Lack of Controls over Fill Material Licenses and Royalties was resolved.

Statutory Dedications

In accordance with Act 530 of the 2018 Regular Legislative Session, we also performed procedures on certain statutory dedications for fiscal years 2017 and 2018, as described below, to determine if the fees charged cover the costs associated with the service established by statute.

Louisiana Alligator Resource Fund

Louisiana Revised Statute (R.S.) 56:279 creates the Louisiana Alligator Resource Fund. Fund revenue sources include the sale of alligator hunting licenses; tag fees imposed on alligator hunters and alligator farmers; alligator shipping label fees on the sale of alligators; all revenues derived from the sale of alligators, alligator skins, or alligator eggs harvested from department-administered lands; all fees derived from alligator lottery harvest programs on department-administered lands and public waters; and all revenues derived from any other alligator-related fees and from the severance tax on alligator

skins. The fund provides for salaries and financial support within the Office of Wildlife of LDWF, law enforcement activities associated with the alligator farm industry, marketing programs recommended by the Louisiana Alligator Advisory Council, research on all aspects involved with alligator conservation and development of alligator industry techniques, and management of the alligator population.

Exhibit 1 Louisiana Alligator Resource Fund						
Fiscal Year	Beginning Balance	Revenues	Agency Warrants	Other Transfers	Increase (Decrease) in Fund Balance	Ending Balance
2017	\$4,082,180	\$2,509,809	(\$1,536,310)	(\$1,100,000)	(\$126,501)	\$3,955,679
2018	\$3,955,679	\$2,792,800	(\$1,463,477)		\$1,329,323	\$5,285,002
Source: Prepared by legislative auditor’s staff using information from the Statewide Accounting System.						

As shown in Exhibit 1 above, the revenues were \$126,501 less than the warrants drawn by LDWF and other transfers made in fiscal year 2017. In fiscal year 2018, the revenues exceeded the warrants drawn by LDWF by \$1.33 million. In fiscal year 2017, \$1.1 million was transferred from the Louisiana Alligator Resource Fund to the Office of Facility Planning and Control for the construction of the Rockefeller Refuge Fish Lab Complex, as approved by the Joint Legislative Committee on the Budget. Outlined in Exhibit 2 below are LDWF’s costs associated with providing the services established by R.S. 56:279.

Exhibit 2 LDWF Alligator Program Costs		
Fiscal Year	Total Cost of Services	Means of Finance
		Louisiana Alligator Resource Fund
2017	\$1,536,310	\$1,536,310
2018	\$1,463,477	\$1,463,477
Source: Prepared by legislative auditor’s staff using information provided by LDWF.		

The Louisiana Alligator Resource Fund paid for 100% of the total cost of services provided during fiscal years 2017 and 2018.

Scenic Rivers Fund

R.S. 56:1844 creates the Scenic Rivers Fund. Fund revenue sources include donations, penalties, and permit fees collected pursuant to the Louisiana Scenic Rivers Act. The fund shall be solely used for the acquisition of servitudes, education, and the monitoring and enforcement of the provisions of the Louisiana Scenic Rivers Act and any permits issued pursuant thereto.

Exhibit 3 Scenic Rivers Fund					
Fiscal Year	Beginning Balance	Revenues	Agency Warrants	Increase (Decrease) in Fund Balance	Ending Balance
2017	\$16,857	\$3,470	(\$852)	\$2,618	\$19,475
2018	\$19,475	\$4,250	(\$902)	\$3,348	\$22,823
Source: Prepared by legislative auditor’s staff using information from the Statewide Accounting System.					

As shown in Exhibit 3 above, the revenues exceeded the warrants drawn by LDWF in fiscal years 2017 and 2018 by \$2,618 and \$3,348, respectively. Outlined below in Exhibit 4 are LDWF’s estimated costs associated with providing the services established by R.S. 56:1844.

Exhibit 4 Louisiana Natural and Scenic Rivers System Costs			
Fiscal Year	Total Cost of Services	Means of Finance	
		Scenic Rivers Fund	Other Statutory Dedications
2017	\$47,658	\$852	\$46,806
2018	\$54,162	\$902	\$53,260
Source: Prepared by legislative auditor’s staff using information provided by LDWF.			

The Scenic Rivers Fund paid for 1.8% and 1.7% of the total cost of services provided during fiscal years 2017 and 2018, respectively. The remaining costs were funded by the Conservation Fund. The total cost of services in Exhibit 4 includes actual expenditures charged to the fund and an estimate provided by LDWF of the personnel and travel costs associated with issuing permits and inspecting sites. The relevant appropriation acts for fiscal years 2017 and 2018 limited spending from the fund to \$2,000 and \$1,500, respectively.

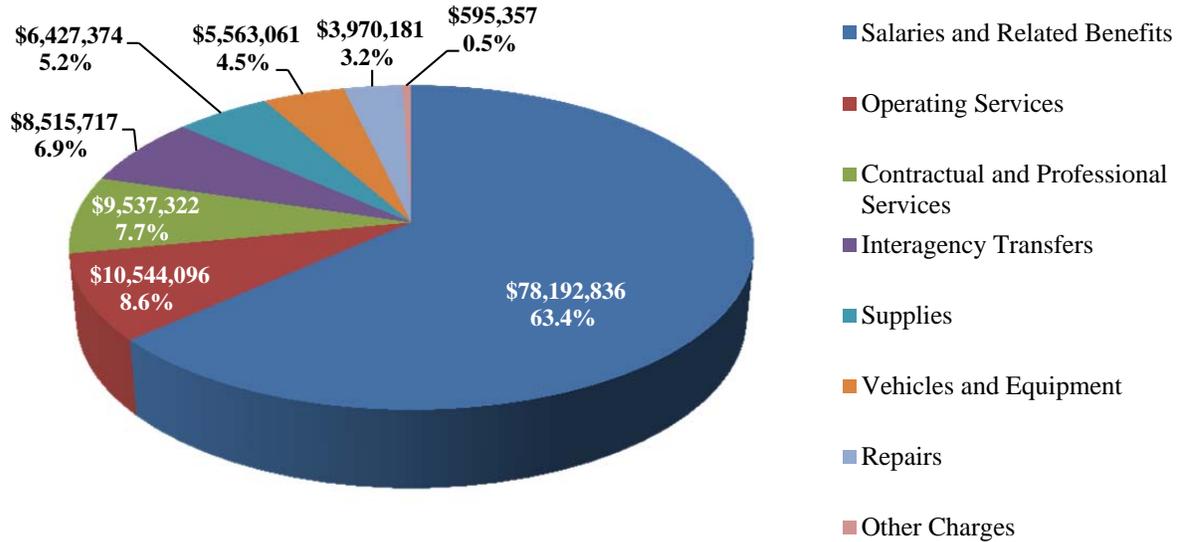
Trend Analysis

We compared the most current and prior-year financial activity using LDWF’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from LDWF’s management for any significant variances.

We also prepared an analysis of LDWF’s expenditures for fiscal years 2018 and 2019 (through April 30, 2019) as shown in Exhibits 5 and 6. For both fiscal years presented, salaries and related benefits comprised the majority of LDWF’s expenditures. The most notable difference between the two fiscal years is a decrease in repairs expenditures. LDWF stated that the majority of these expenditures are the purchase of aggregate to repair roads on Wildlife Management

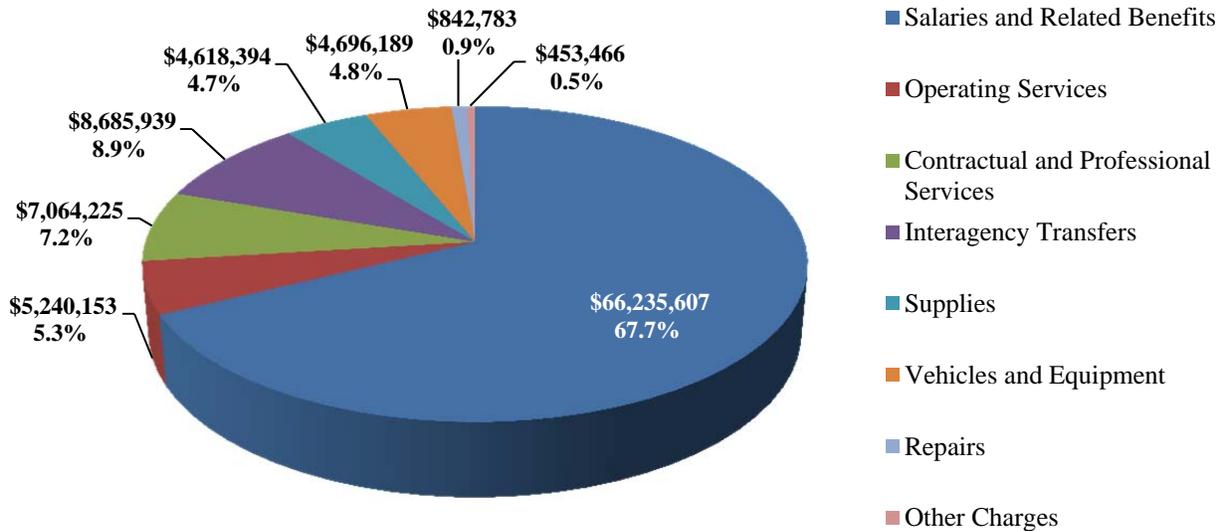
Areas. During fiscal year 2019, LDWF limited aggregate purchases to only those needed for emergency repairs to achieve some cost savings.

Exhibit 5: 2018 Expenditures
Total: \$123,345,944



Source: Prepared by legislative auditor’s staff using system-generated reports

Exhibit 6: 2019 Expenditures (as of April 30, 2019)
Total: \$97,836,756



Source: Prepared by legislative auditor’s staff using system-generated reports

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

MK:CST:BQD:EFS:aa

LDWF2019

APPENDIX A: MANAGEMENT'S RESPONSES

JOHN BEL EDWARDS
GOVERNOR



JACK MONToucET
SECRETARY

PO BOX 98000 | BATON ROUGE LA | 70898

May 28, 2019

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Inadequate Controls over Fuel Cards

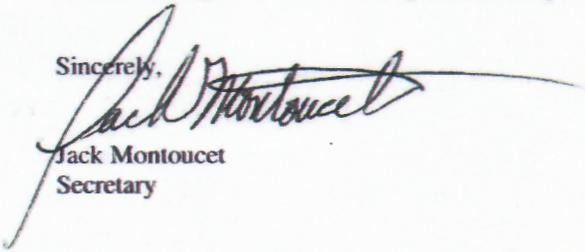
Mr. Purpera,

The Department concurs with the above stated finding and recommendation. Please find our response and corrective action plan below.

The Department, with the assistance of the Office of Technology Services, is developing a software application (Arcadia) that will assist with on-boarding and off-boarding LDWF employees. We anticipate that LDWF will begin using Arcadia in the Fall of 2019. Arcadia will notify the FuelTrac Administrator of cardholder terminations, which will eliminate the need for supervisors to send separation notices. In addition, LDWF's FuelTrac Administrator will deactivate card PIN numbers in a timely manner for terminated LDWF employees.

We value the experience of this audit and view it as an opportunity to improve our business processes. Please contact me if you should have any additional questions.

Sincerely,



Jack Montoucet
Secretary

JOHN BEL EDWARDS
GOVERNOR



JACK MONTOUCKET
SECRETARY

PO BOX 98000 | BATON ROUGE LA | 70898

May 28, 2019

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Weakness in Controls over LaCarte Card Purchases

Mr. Purpera,

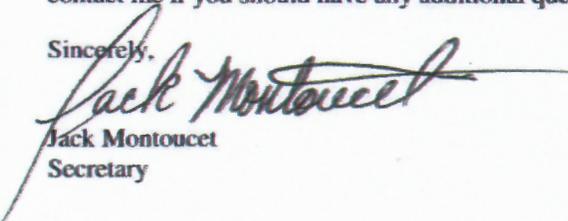
The Department concurs with the above stated finding and recommendation. Please find our response and corrective action plan below.

In an effort to strengthen internal controls over the department's LaCarte card usage, LDWF implemented a policy that requires preapproval for purchases exceeding \$500. This requirement is more stringent than that required by the Office of State Travel's policy.

LDWF obtained blanket approval from the Commissioner of Administration for seven of the 11 purchases referenced in the finding. Supervisors gave written approval for the remaining four purchases from one to eight days after the transactions occurred. While LDWF's policy of requiring preapproval for purchases over \$500 is beneficial to the department overall, requiring strict adherence to the policy in every instance may be detrimental. LDWF has elected to update its P-Card policy, by August 1, 2019, to reflect this concern. LDWF's updated policy will reflect that preapproval for purchases over \$500 is required, however the department will make exceptions when obtaining preapproval is not beneficial to department operations.

We value the experience of this audit and view it as an opportunity to improve our business processes. Please contact me if you should have any additional questions.

Sincerely,


Jack Montoucet
Secretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Wildlife and Fisheries (LDWF) for the period from July 1, 2017, through June 12, 2019. Our objective was to evaluate certain controls LDWF uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the LDWF's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LDWF's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LDWF's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LDWF.
- Based on the documentation of LDWF's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to purchasing card expenditures, fuel card expenditures, contract expenditures, revenue collection for recreational hunting and fishing licenses, payroll expenditures, unmanned aircraft systems, and licenses and royalties for the dredging of fill material from state water bottoms.
- In accordance with Act 530 of the 2018 Regular Legislative Session, we performed procedures on certain statutory dedications for fiscal years 2017 and 2018.
- We compared the most current and prior-year financial activity using LDWF's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LDWF's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at LDWF and not to provide an opinion on the effectiveness of LDWF's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.