



Auditor of Public Accounts
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Auditor Harmon Releases Annual Audit of the Kentucky Department of Fish and Wildlife Resources Fish and Game Fund

Fiscal Year 2019 audit contains two repeat findings from prior fiscal year review

FRANKFORT, Ky. (June 16, 2020) – Today, Kentucky Auditor of Public Accounts Mike Harmon released the Fiscal Year 2019 audit of the revenue sources of the Kentucky Department of Fish and Wildlife Resources (KDFWR) Fish and Game Fund.

“The KDFWR touches the lives of many Kentuckians through the issuance of hunting and fishing licenses. Because of that, it is imperative that the agency provide transparency and accountability to our sportsmen and sportswomen, as well as taxpayers who help provide funding through federal grants,” said Auditor Harmon. “Our auditors followed the data, and the report we are issuing today identifies two recurring issues within KDFWR.”

According to the audit report, KDFWR’s Fish and Game Fund received more than \$40.4 million in revenues during FY19, which included \$30.4 million from the sale of hunting and fishing licenses and another \$5.9 million from motor boat registration fees and dealer licenses. Additionally, another \$13 million in transfers were received within the Fish and Game Fund, primarily consisting of \$12.6 million transferred from KDFWR’s Federal Fund.

The audit report contains the following findings:

The Kentucky Department of Fish And Wildlife Resources failed to transfer funds from outside bank accounts to the State Treasury timely: This is a repeat of Finding 2018-FW-01 as reported in the Fiscal Year 2018 audit of the Kentucky Department of Fish and Wildlife Resources (KDFWR). KDFWR maintains multiple bank accounts outside of the Kentucky State Treasury (Treasury) to temporarily hold funds associated with camp fees (Camp Webb, Camp Currie and Camp Wallace), receipts from the Otter Creek Outdoor Recreation Area (Otter Creek), and receipts from Ballard Quota Hunt Fees. For all five outside bank accounts reviewed, KDFWR failed to transfer funds to

Treasury within 30 days in accordance with KRS (Kentucky Revised Statute) 41.070. Of the noted exceptions, the numbers of days between collection and transfer to the Treasury ranged from 47 days up to 191 days, with the impacted deposits totaling \$75,491.

KDFWR failed to adhere to established policy and State statute requiring receipts held in temporary deposit accounts be transferred into Treasury timely. Maintaining funds outside Treasury for extended periods of time increases the risk of fraud, waste, and abuse which could occur undetected.

KRS 41.070, Moneys to be deposited in state depositories, states, in part,

(1) Unless otherwise expressly provided by law, no receipts from any source of state money or money for which the state is responsible shall be held, used, or deposited in any personal or special bank account, temporarily or otherwise, by any agent or employee of any budget unit, to meet expenditures or for any other purpose. All receipts of any character of any budget unit, all revenue collected for the state, and all public money and dues to the state shall be deposited in state depositories in the most prompt and cost efficient manner available. However in the case of state departments or agencies located outside Frankfort, and all state institutions, the Finance and Administration Cabinet may permit temporary deposits to be made to the accounts maintained by the agency, department, or institution in a bank which has been designated as a depository for state funds for a period not to exceed thirty (30) days, and may require that the money be forwarded to the State Treasury at the time and in the manner and form prescribed by the cabinet.

Recommendation

We recommend KDFWR strengthen internal controls to safeguard assets and ensure all collected revenue is deposited into Treasury in a timely manner in accordance with KRS 41.070.

Management's Response and Planned Corrective Action

The procedures for future deposits associated with camp receipts will be a monthly sweep. The reconciliation, previously performed before the sweep, will follow with any corrections made after-the-fact.

The Kentucky Department of Fish And Wildlife Resources failed to reconcile internal systems to eMARS: This is a repeat of Finding 2018-FW-02 as reported in the Fiscal Year 2018 audit of the Kentucky Department of Fish and Wildlife Resources (KDFWR). The greatest source of funding for KDFWR is the sale of licenses and permits related to recreational and commercial hunting and fishing activities. KDFWR utilizes the Kentucky Direct Sales System (KDSS) to process and track the issuance and sale of all licenses and the KDFWR Permit System (Permit System) to track the

issuance and sale of all permits. Permit fees are received at the KDFWR headquarters and deposited with Treasury manually. License fees are received through multiple mechanisms including licensed retail agents, KDFWR's website, and KDFWR's headquarters. A significant portion of license sales and all sales from the KDFWR website are processed and deposited through the Commonwealth's NIC Payment Engine.

During fiscal year 2019, KDFWR failed to timely reconcile sales data from KDFWR's systems to data recorded in the Enhanced Management Administrative & Reporting System (eMARS), the statewide accounting system. KDFWR was unable to provide a completed reconciliation for fiscal year 2019, more than nine months after the end of the fiscal year. A proper reconciliation will ensure all fees for licenses and permits sold have been correctly accounted for and recorded in eMARS. KDFWR is in the early stages of implementing a total reconciliation to include the web-based sales system and the Permit System. This process, when fully developed will verify receipts received by multiple divisions in the department monthly to ensure funds are deposited and recorded in eMARS.

Policies and procedures to ensure the timely reconciliation of all revenue data between KDFWR systems and eMARS were not fully developed during fiscal year 2019. Without a timely reconciliation between revenues recorded in eMARS and internal KDFWR tracking and sales systems, there is an increased risk that errors and omissions may not be detected and corrected in a timely manner resulting in inaccurate information for financial reporting and decision making purposes.

Sound internal controls dictate that underlying accounting records in the form of sales data from the KDFWR website, KDSS, and the Permit System, be reconciled to the accounting records contained in the statewide accounting system. Reconciliations should be completed in a timely fashion as an essential part of the agency's internal control structure to ensure financial data is complete and accurate.

Recommendation

We recommend KDFWR develop and improve on policies and procedures requiring the reconciliation of sales data between KDFWR system records and receipts recorded in eMARS. Due to the magnitude to which the department is dependent upon license and permit fees, additional emphasis should be placed on the timely reconciliation of KDSS and the Permit System sales data to eMARS. In completing reconciliation procedures, KDFWR should follow up on and document the outcome of identified variances.

Management's Response and Planned Corrective Action

This is a repeat comment because of the sheer volume of license data made it difficult to reconcile and it was a long process. License receipts are received by the department in a number of ways dependent upon the type of vendor and the receiving agent. The majority of online credit card sales can be reconciled 100% to the Commonwealth's payment

engine, the difficulty was determining if a fishing license within 930,000+ lines of license holder data was processed in one of the following ways:

- 1. As part of the online credit card sales*
- 2. Unique batch by vendor/vendor type*
- 3. As part of the check/cash transactions processed in manual batches by the department*

The auditors were given an SOP that segregated the data into these segments using unique attributes in order to ensure that each type was counted or reconciled in the correct way. Now that the attributes that separate the groups are known, the reconciliation for next year (Fiscal Year 2021) will be at a much higher level; the detailed reconciliation is current through March 2020 and will be finalized at the end of the current fiscal year.

The automated, online sales are easy for reconciliation, but the manual batches are the most vulnerable to human error. The manual batches have been reconciled for the last several years. The batches are reconciled as each cash receipt document is finalized into eMARS and a running log of reconciling items (often due to timing or errors by agents) are followed up timely. KDFWR agrees that a concise, timely reconciliation of all methods must be generated monthly. KDFWR will be updating the procedure for fiscal year 2021.

The full report can be found on the [auditor's website](#).

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