

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Game and Fish Commission

For the Fiscal Year Ended June 30, 2022



INTRODUCTION

This report is issued to inform the Legislative Joint Auditing Committee of compliance with state fiscal laws and regulations as well as deficiencies in internal controls for the Arkansas Game and Fish Commission. As discussed in the Results of Assessment section below, the Agency disclosed three instances of theft of property (Finding 1), and our procedures revealed a sick leave overpayment (Finding 2).

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Game and Fish Commission, a commission of Arkansas state government, as of and for the year ended June 30, 2022, and have issued our report dated August 24, 2023. Management of the Agency is responsible for establishing and maintaining internal controls and complying with applicable laws and regulations.

The assessment included cash on deposit, cash receipts, expenditures, liabilities, capital assets, and data entry to the Arkansas Administrative Statewide Information System (AASIS). The assessment consisted principally of inquiries, observations, analytical procedures, and selected tests of internal control policies and procedures, accounting records, and other relevant documents. We relied on financial data in AASIS recorded by the Agency and audit work conducted in the fiscal year 2022 State Annual Comprehensive Financial Report (ACFR) and Single Audit Report.

RESULTS OF ASSESSMENT

Assessment procedures disclosed the following internal control or compliance matter that was discussed with Agency officials during the assessment and at the exit conference:

Finding: R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide states that “the bonded disbursing officer for each state agency, board, commission or institution is responsible for...reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Division of Legislative Audit. Losses include...the apparent theft or misappropriation of state funds or property theft.” The Arkansas Game and Fish Commission (AGFC) notified us of the following thefts of state property:

- On September 6, 2022, a Wildlife Officer reported a theft at the Holland Bottoms WMA compound of a 2013 Honda Rancher ATV, valued at \$5,655. Additionally, a fence was damaged for apparent entry into the compound. An incident report was filed with the Pulaski County Sheriff's Office.
- On April 11, 2023, an AGFC employee reported that a 2005 metal enclosed trailer, valued at \$5,000, was stolen from AGFC property. An incident report was filed with the Lonoke County Sheriff's Office.

ARKANSAS LEGISLATIVE AUDIT

500 Woodlane Street, Suite 172, Little Rock, AR 72201

Phone: 501-683-8600 Fax: 501-683-8605

www.arklegaudit.gov

Report ID: SR05080212

Report Date: August 24, 2023



- On May 23, 2023, a Wildlife Officer reported that the chain securing the gate at the Gene Rush Wildlife Management Area was cut and the following items stolen:
 - ❖ Two 2014 Honda Rubicon ATVs valued at \$4,353 and \$4,821, respectively.
 - ❖ A 2007 Tandem trailer valued at \$2,982.
 - ❖ A 50 gallon fuel tank containing approximately 25 gallons of torch fuel valued at \$110.
 - ❖ A 50 gallon fuel tank containing approximately 25 gallons of gasoline valued at \$100.
 - ❖ Two drip torches valued at \$1,800 each.
 - ❖ A toolbox containing straps and miscellaneous hand tools valued at \$650.

The value of the items stolen totaled \$16,616. An incident report was filed with the Newton County Sheriff's Office.

We recommend the Agency continue to monitor and strengthen controls related to the safeguarding of assets to prevent future occurrences of theft.

Management response: *Management concurs with the finding and recommendation to strengthen controls related to the safeguarding of inventory. We will provide employees with additional information and guidance to support the prevention of future occurrences of theft and strengthen internal controls to safeguard our inventory.*

Finding 2: Department of Transformation and Shared Services – Office of Personnel Management (DTSS-OPM) Policy #54, which is based on Ark. Code Ann. § 21-4-501, allows for the payment of accumulated, unused sick leave at retirement or death of an employee. A review of employee sick leave payouts made during the fiscal year revealed that, due to a calculation error by the Agency, one employee was overpaid \$2,515.

We recommend the Agency strengthen internal controls over the processing of sick leave payouts. We also recommend the Agency contact DTSS-OPM to start the process of recoupment.

Management response: *Management concurs with the finding. We have already implemented changes to the internal process for sick leave payouts to strengthen internal controls. These process updates include incorporating the TSS-Office of Personnel Management Sick Leave Payout form to reduce the risk of errors. Additional supporting documentation for calculation of the payout and validation of changes made within the State system are provided by the Payroll Manager for management review.*

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

AGFC was created in 1915 and, in 1944 with the passage of Amendment 35, gained responsibility and authority for the “control, management, restoration, conservation and regulation of bird, fish, and game and wildlife resources of the State.” Amendment 35 gave AGFC autonomy from the Legislature, enabled it to enforce wildlife regulations statewide, and gave wildlife officers full police authority to issue citations and make arrests. In 1996, Amendment 75 to the State Constitution established the 1/8th-Cent Conservation Sales Tax, of which 45% of the net collections are distributed to AGFC. Commission activities are financed primarily through the sale of hunting and fishing licenses, tags, and permits; the 1/8th cent conservation sales tax; and federal aid funding. General Revenue funds are not used for AGFC programs.

The Commission is composed of eight members: seven Governor-appointed members, who serve regular seven-year staggered terms, and an ex-officio member, who is chair of the Department of Biological Sciences at the University of Arkansas. The Commission selects and employs an Executive Secretary, or Director, who is delegated broad administrative responsibilities to oversee the daily operation of the Agency and carrying out directives from the Commission.

As illustrated in **Exhibit I on page 5**, the AGFC's 15 Divisions help achieve its goals:

1. *Enforcement* enforces regulations for the protection and enjoyment of fish, game, and non-game resources. Wildlife Officers enforce boating laws, have full police authority, and assist other law enforcement agencies in criminal matters. They are trained first responders and participate in land and water search and rescue operations.
2. *Fisheries Management* manages the State's fisheries populations; manages lakes, reservoirs, and streams for public fishing; acquires, develops, and maintains stream access sites, lakes, nursery ponds, and hatcheries; conducts an intensive trout management program; and provides fisheries management advice. The division conducts fish habitat condition investigations and an on-going research program to measure fish population trends, determine limiting factors, and develop better management techniques.
3. *Wildlife Management* manages the State's wildlife populations by regulating hunting seasons, improving habitats through forest management, developing food resources, constructing and maintaining structures for water control, and management and control of wildlife populations. This division manages the Wildlife Management Areas, which contain a number of roads, bridges, boat ramps, and parking areas to assist sportsmen in accessing the areas for wildlife-related recreational purposes. The division works with landowners to stimulate wildlife habitat development on privately-owned land.
4. *Communications* is responsible for managing all internal and external communication efforts of the Agency. The production of *Arkansas Wildlife* magazine; news releases; newsletters; guidebooks; TV shows and other publications; management of the Agency website, intranet, and social media efforts; and contact with local, state, and national press outlets are key duties of the division.
5. *Education* manages the Hunter Education, Boating Education, Project WILD, Fishing in the Natural State (FINS), Arkansas Archery in the Schools Program, Arkansas Youth Shooting Sports Program, and Aquatic Resources Education. This division is also tasked with operating five nature centers and four education centers across the state.
6. *Fiscal Services* administers the general accounting, licensing, budgeting, disbursing, purchasing, and federal aid sections. The license section works with approximately 300 license dealers who make licenses and permits available locally. Licenses are also available 24 hours per day, 7 days per week, via the internet at AGFC.com.
7. *Human Resources* is responsible for personnel management functions, employee recruitment and training, and payroll processing.
8. *Information Technology (IT)* provides data processing services via a statewide PC network system for all divisions and operates the Agency's telephone communication system.
9. *Geographic Information System (GIS)* develops, compiles, and analyzes spatial components of data. GIS helps users understand patterns, relationships, and the geographic context of information. These added benefits improve communication, efficiency, management, and decision-making across the agency in support of conservation.
10. *Legal* includes the general counsel for the Agency and three staff attorneys.

11. *Operations* is responsible for vehicle fleet operations, building services, and the operation of ten regional offices. In addition, this division is responsible for land purchases, construction projects, Marine Fuel Tax projects, and the maintenance of capital assets statewide.
12. *Environmental Coordination* fulfills the Agency's responsibilities regarding federal acts and requirements by acting on issues that are time sensitive. These issues consist of the review and evaluation of fish and wildlife resource impacts associated with federally funded, permitted, or licensed activities that occur in Arkansas.
13. *Research, Evaluation, and Compliance* is a group of specialized scientists supporting the Agency through five focus areas: science support, monitoring, human dimensions, wildlife health, and compliance. This division serves as lead on the Agency's research prioritization and review process, wildlife health program, social science program, and biostatistical data analysis. A key function of this division is to lead the AGFC's response in the management of Chronic Wasting Disease (CWD).
14. *Administration* oversees the Agency and manages the Agency's mission and objectives.
15. *Private Lands* has been created to increase capacity for work on private lands. With 90% of Arkansas in private ownership, the Agency is adding resources to more comprehensively work with private landowners to deliver fish, wildlife, water and habitat conservation.

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Agency revenues, expenditures, and transfers for fiscal years 2018 through 2022 are illustrated in **Exhibit II on page 6**.

The Agency reported \$59.4 million in total revenue for the fiscal year ended June 30, 2022. The primary sources of revenue are sales of game and fish licenses and permits, federal grants, and license plate fees.

Expenditures totaled \$95.3 million for the fiscal year ended June 30, 2022. Salaries comprised 44% of total expenditures. The other expenditures category comprised 38% of total expenditures and included assistance, grants, and aid; professional services and fees; and capital outlay.

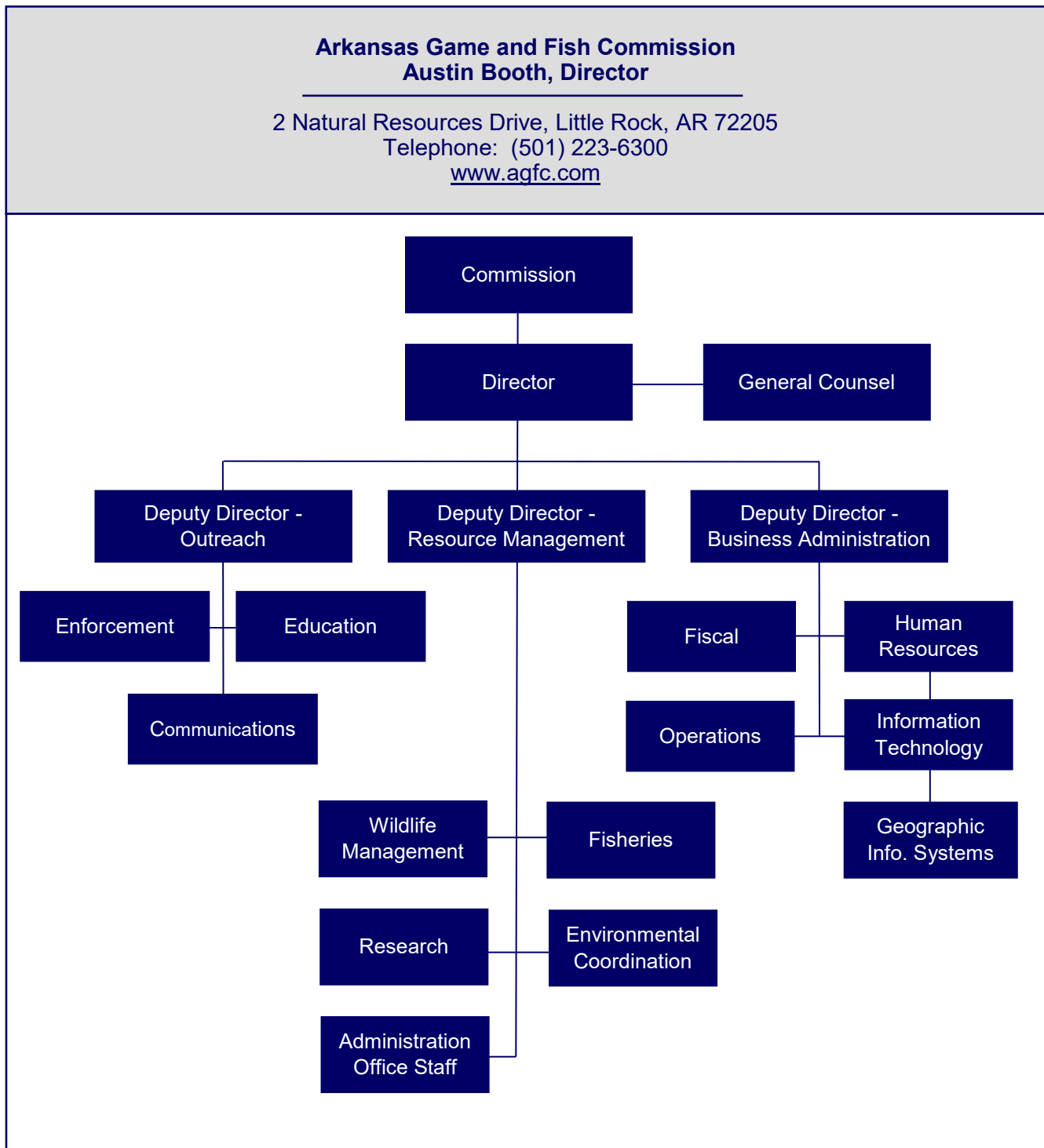
The Agency reported net transfers of \$43.6 million for fiscal year 2022. The majority of expendable funds received through transfers were from 1/8th cent conservation sales taxes.

Assets, Liabilities, and Deferred Inflows of Resources

Agency asset and liability balances at year-end for fiscal years 2018 through 2022 are presented in **Exhibit III on page 6**. Agency assets and liabilities totaled approximately \$431.1 million and \$10.9 million, respectively, at June 30, 2022.

Other liabilities include \$5.1 million in unearned revenues generated from the sale of lifetime sportsman permits.

Exhibit I
Arkansas Game and Fish Commission
Organizational Chart



Source: Arkansas Game and Fish Commission

Exhibit II

Arkansas Game and Fish Commission
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2018 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues					
License and permit fees	\$ 31,138,042	\$ 31,383,711	\$ 27,835,763	\$ 26,754,434	\$ 27,270,959
Federal grants and reimbursements	24,069,437	18,558,351	20,400,704	22,015,834	23,614,544
Rents, royalties, and leases	161,791	104,258	77,638	100,951	122,316
Other income	4,041,382	4,580,410	8,537,871	6,102,868	5,333,817
Total Revenues	\$ 59,410,652	\$ 54,626,730	\$ 56,851,976	\$ 54,974,087	\$ 56,341,636
Expenditures					
Salaries	\$ 42,232,267	\$ 40,996,163	\$ 41,157,139	\$ 41,861,825	\$ 41,085,455
Repairing and servicing	6,491,729	5,574,920	5,612,680	5,912,638	8,680,586
Commodities, materials, and supplies	10,817,073	9,546,232	8,789,976	9,603,035	11,541,301
Other expenses	35,754,350	25,306,325	30,023,785	27,596,857	30,448,802
Total Expenditures	\$ 95,295,419	\$ 81,423,640	\$ 85,583,580	\$ 84,974,355	\$ 91,756,144
Net Transfers In (Out)	\$ 43,638,036	\$ 37,893,304	\$ 34,965,303	\$ 38,269,837	\$ 32,848,985

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Exhibit III

Arkansas Game and Fish Commission
Assets, Liabilities, and Deferred Inflows of Resources
For the Years Ended June 30, 2018 through 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Assets					
Cash and cash equivalents	\$ 76,059,101	\$ 68,585,620	\$ 57,748,552	\$ 50,569,464	\$ 46,695,615
Investments	0	0	0	0	500,000
Fixed assets	350,617,467	335,918,484	328,798,668	316,580,194	303,912,050
Other assets	4,446,979	3,499,539	2,613,600	2,464,750	3,661,294
Total Assets	\$ 431,123,547	\$ 408,003,643	\$ 389,160,820	\$ 369,614,408	\$ 354,768,959
Liabilities					
Accounts payable	\$ 1,894,931	\$ 1,285,608	\$ 2,117,023	\$ 1,180,977	\$ 2,185,801
Payroll liability	2,150,745	2,041,830	1,726,451	1,536,098	1,486,016
Other liabilities	6,840,873	6,924,226	5,776,552	6,116,572	6,175,629
Total Liabilities	\$ 10,886,549	\$ 10,251,664	\$ 9,620,026	\$ 8,833,647	\$ 9,847,446
Deferred Inflows of Resources					
Related to revenues	\$ 45	0	\$ 6,288	\$ 31,315	\$ 103,305

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

