

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Game and Fish Commission

For the Fiscal Year Ended June 30, 2023



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 two instances of theft of property and one instance of theft of state funds (Finding).

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, 2023, and have issued our report dated September 11, 2024. 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 2023 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 funds and property:

- The Agency was notified by a vendor on December 4, 2023, that a \$421,206 payment made by the Agency via ACH in November 2023 was not deposited into the vendor’s bank account. Upon further review, it was confirmed that AGFC staff had received and acted upon a fraudulent email requesting banking data change, resulting in a payment being made to a bank account not belonging to the vendor. A police report was filed with the Little Rock Police Department and Federal Bureau of Investigation-Internet Crime Compliance Center. Investigation is ongoing.

ARKANSAS LEGISLATIVE AUDIT

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Report ID: SR05080213

Report Date: September 11, 2024



- On March 4, 2024, an 18 x 21 ft. carport, with a cost of \$967, was stolen from AGFC property located in Phillips County. A report was filed with the Phillips County Sheriff's Office.
- On May 21, 2024, a laptop with a cost of \$1,368, was stolen from AGFC property in Prairie County. An incident report was filed with the Prairie 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. We further recommend the Agency strengthen controls related to banking data changes.

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. A new process related to vendor banking data changes has been set in place during the fiscal year. All banking data changes must accompany a Vendor Direct Deposit Authorization Form that is required to be notarized before any changes are submitted to the Office of State Procurement. AGFC has increased controls and training around phishing and cyber security. We now require annual phishing training for all staff and have implemented software to help staff flag potential phishing attempts. We were able to obtain \$210,603 from insurance and are working closely with the Little Rock Police Department and the Federal Bureau of Investigation to investigate and recover additional funds. We anticipate additional funds being awarded as the result of an FBI investigation.*

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 16 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* was 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.
16. *Recreational Shooting Division* was created to expand support of youth shooting sports and increase recreational shooting opportunities through the development of new ranges. Recreational shooting has recently increased in popularity, and federal excise tax funds from the sale of guns and ammunition support conservation in Arkansas.

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Agency revenues, expenditures, and transfers for fiscal years 2019 through 2023 are illustrated in **Exhibit II on page 6**.

The Agency reported \$60.7 million in total revenue for the fiscal year ended June 30, 2023. The primary sources of revenue are sales of game and fish licenses and permits, federal grants, and license plate fees.

Expenditures totaled \$117.7 million for the fiscal year ended June 30, 2023. Salaries comprised 40% of total expenditures. The other expenditures category comprised 41% of total expenditures and included assistance, grants, and aid; professional services and fees; and capital outlay.

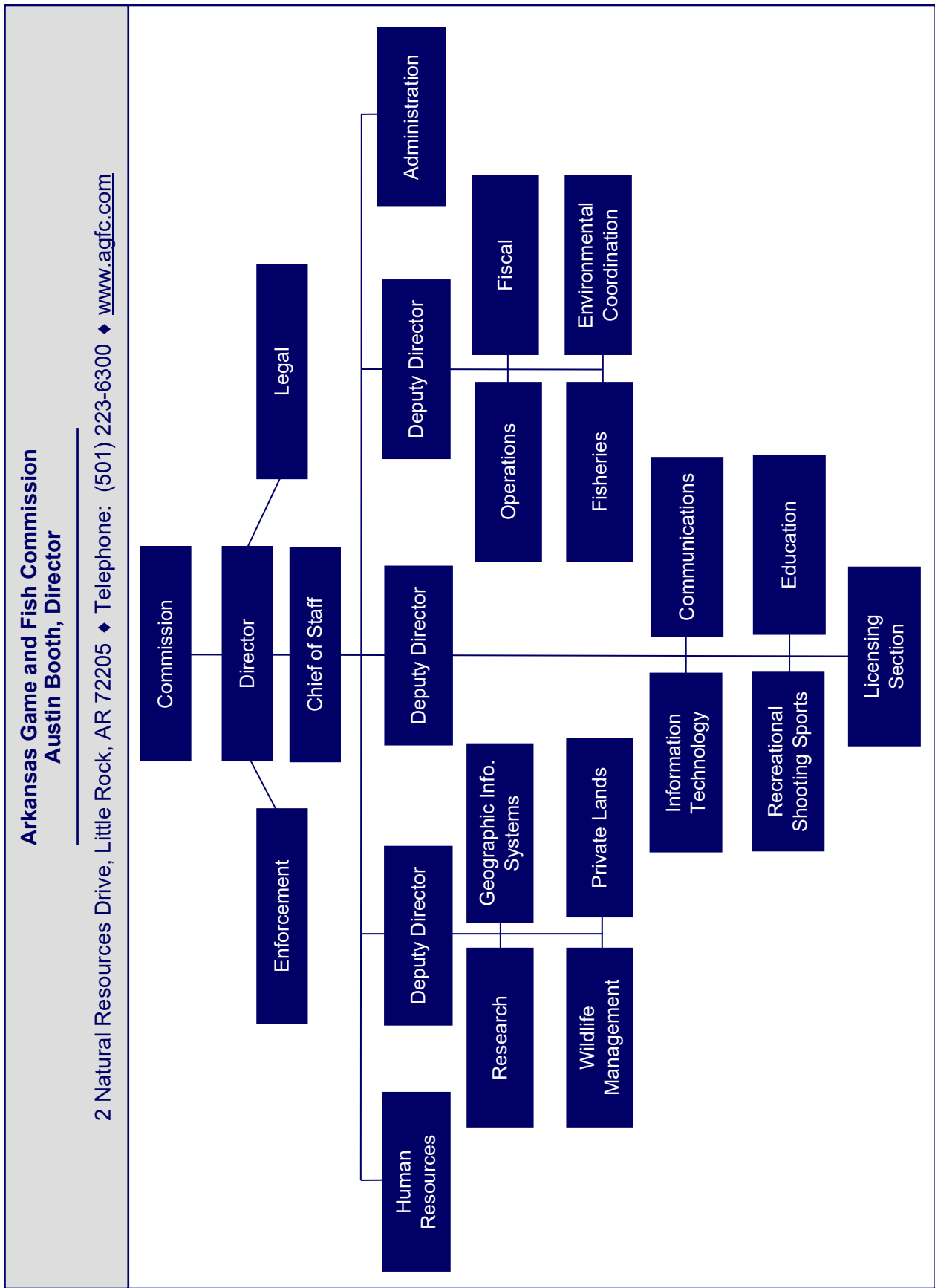
The Agency reported net transfers of \$57.0 million for fiscal year 2023. The majority of expendable funds received through transfers were from 1/8th-cent conservation sales taxes.

Assets, Liabilities, and Deferred Inflows of Resources

Agency asset and liability balances at year-end for fiscal years 2019 through 2023 are presented in **Exhibit III on page 6**. Agency assets and liabilities totaled approximately \$450.7 million and \$9.7 million, respectively, at June 30, 2023.

Other liabilities include \$5.4 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, 2019 through 2023**

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues					
License and permit fees	\$ 32,046,353	\$ 31,138,042	\$ 31,383,711	\$ 27,835,763	\$ 26,754,434
Federal grants and reimbursements	24,423,726	24,069,437	18,558,351	20,400,704	22,015,834
Rents, royalties, and leases	213,265	161,791	104,258	77,638	100,951
Other income	4,053,136	4,041,382	4,580,410	8,537,871	6,102,868
Total Revenues	\$ 60,736,480	\$ 59,410,652	\$ 54,626,730	\$ 56,851,976	\$ 54,974,087
Expenditures					
Salaries	\$ 47,102,198	\$ 42,232,267	\$ 40,996,163	\$ 41,157,139	\$ 41,861,825
Repairing and servicing	9,186,177	6,491,729	5,574,920	5,612,680	5,912,638
Commodities, materials, and supplies	13,056,610	10,817,073	9,546,232	8,789,976	9,603,035
Other expenses	48,361,407	35,754,350	25,306,325	30,023,785	27,596,857
Total Expenditures	\$ 117,706,392	\$ 95,295,419	\$ 81,423,640	\$ 85,583,580	\$ 84,974,355
Net Transfers In (Out)	\$ 56,968,363	\$ 43,638,036	\$ 37,893,304	\$ 34,965,303	\$ 38,269,837

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, 2019 through 2023**

	Fiscal Year				
	2023	2022	2021	2020	2019
Assets					
Cash and cash equivalents	\$ 74,963,743	\$ 76,059,101	\$ 68,585,620	\$ 57,748,552	\$ 50,569,464
Fixed assets	370,871,286	350,617,467	335,918,484	328,798,668	316,580,194
Other assets	4,905,177	4,446,979	3,499,539	2,613,600	2,464,750
Total Assets	\$ 450,740,206	\$ 431,123,547	\$ 408,003,643	\$ 389,160,820	\$ 369,614,408
Liabilities					
Accounts payable	\$ 2,077,463	\$ 1,894,931	\$ 1,285,608	\$ 2,117,023	\$ 1,180,977
Payroll liability	954,389	2,150,745	2,041,830	1,726,451	1,536,098
Other liabilities	6,656,736	6,840,873	6,924,226	5,776,552	6,116,572
Total Liabilities	\$ 9,688,588	\$ 10,886,549	\$ 10,251,664	\$ 9,620,026	\$ 8,833,647
Deferred Inflows of Resources					
Related to revenues	\$ 559,546	\$ 45	\$ 0	\$ 6,288	\$ 31,315

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

