

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Game and Fish Commission

For the Fiscal Year Ended June 30, 2020



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, two incidents of theft were disclosed by the Agency.

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, 2020, and have issued our report dated August 2, 2021. 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 2020 State Comprehensive Annual Financial Report 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:

- Between May 18, 2020 and July 22, 2020, a 20 horsepower Yamaha outboard motor with a tiller handle and an electric jack plate with a cost of \$3,218 was stolen from an AGFC trout boat while located at Shawnee Supreme Boats in Midway, Arkansas (Baxter County), for repairs. Incident and police reports were filed.
- On January 11, 2021, AGFC staff were made aware of a theft that occurred at a storage unit in DeWitt, Arkansas, that contained materials for the Nongame Bird Program. Contents stolen included research materials, office furniture, safety equipment, and small electronic devices valued at \$5,020. A police report was filed.

ARKANSAS LEGISLATIVE AUDIT

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Report ID: SR0508020

Report Date: August 2, 2021



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 have established and provided employees with additional information and guidance to support the prevention of future occurrences of theft and strengthen internal controls to safeguard our inventory.*

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 4**, the AGFC’s 12 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, and constructing and maintaining structures for water control. 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 four 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 a day, 7 days 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* provides data processing services via a statewide PC network system for all divisions and operates the Agency's telephone communication system. It is also responsible for the coordination and administration of Agency activities pertaining to Global Positioning Systems (GPS) and Geographic Information Systems (GIS).
9. *Legal* includes the general counsel for the Agency and three staff attorneys.
10. *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.
11. *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 impacts associated with federally funded, permitted, or licensed activities that occur in Arkansas.
12. *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).

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Agency revenues, expenditures, and transfers for fiscal years 2016 through 2020 are illustrated in **Exhibit II on page 5**.

The Agency reported \$56.8 million in total revenue for the fiscal year ended June 30, 2020. The primary sources of revenue are sales of game and fish licenses and permits, federal grants, and license plate fees.

Expenditures totaled \$85.5 million for the fiscal year ended June 30, 2020. Salaries comprised 48% of total expenditures. The other expenditures category comprised 35% of total expenditures and included assistance, grants, and aid; professional services and fees; and capital outlay.

The Agency reported net transfers of \$34.9 million for fiscal year 2020. The majority of expendable funds received through transfers were from 1/8th cent conservation sales taxes.

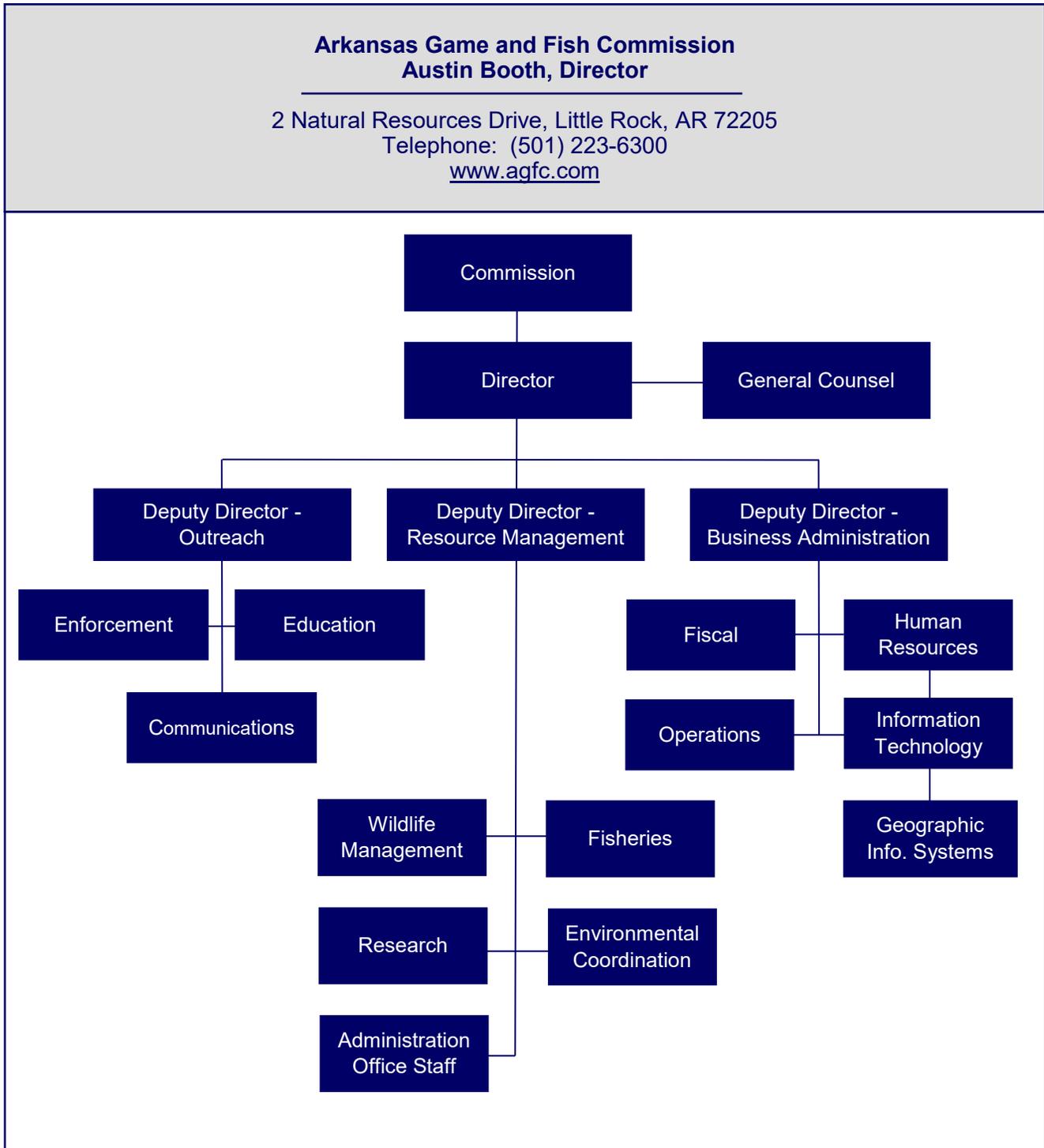
Assets and Liabilities

Agency asset and liability balances at year-end for fiscal years 2016 through 2020 are presented in **Exhibit III on page 5**. Agency assets and liabilities totaled approximately \$390 million and \$9.6 million, respectively, at June 30, 2020.

Other liabilities include \$5.9 million in accrued compensated absences and \$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, 2016 through 2020**

	Fiscal Year				
	2020	2019	2018	2017	2016
Revenues					
License and permit fees	\$ 27,835,763	\$ 26,754,434	\$ 27,270,959	\$ 28,715,956	\$ 28,968,110
Federal grants and reimbursements	20,400,704	22,015,834	23,614,544	21,255,240	25,497,696
Rents, royalties, and leases	77,638	100,951	122,316	130,140	194,922
Other income	8,537,871	6,102,868	5,333,817	5,622,695	2,399,081
Total Revenues	\$ 56,851,976	\$ 54,974,087	\$ 56,341,636	\$ 55,724,031	\$ 57,059,809
Expenditures					
Salaries	\$ 41,157,139	\$ 41,861,825	\$ 41,085,455	\$ 38,479,289	\$ 39,227,078
Repairing and servicing	5,612,680	5,912,638	8,680,586	6,811,334	6,669,800
Commodities, materials, and supplies	8,789,976	9,603,035	11,541,301	12,554,302	9,997,273
Other expenditures	30,023,785	27,596,857	30,448,802	27,265,662	25,580,959
Total Expenditures	\$ 85,583,580	\$ 84,974,355	\$ 91,756,144	\$ 85,110,587	\$ 81,475,110
Net Transfers In (Out)	\$ 34,965,303	\$ 38,269,837	\$ 32,848,985	\$ 31,293,905	\$ 28,128,076

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, 2016 through 2020**

	Fiscal Year				
	2020	2019	2018	2017	2016
Assets					
Cash and cash equivalents	\$ 57,748,552	\$ 50,569,464	\$ 46,695,615	\$ 51,512,993	\$ 46,217,050
Investments	0	0	500,000	500,000	500,000
Fixed assets	328,798,668	316,580,194	303,912,050	292,113,062	279,900,330
Other assets	2,613,600	2,464,750	3,661,294	3,657,785	5,084,250
Total Assets	\$ 389,160,820	\$ 369,614,408	\$ 354,768,959	\$ 347,783,840	\$ 331,701,630
Liabilities					
Accounts payable	\$ 2,117,023	\$ 1,180,977	\$ 2,185,801	\$ 4,570,104	\$ 2,413,478
Payroll liability	1,726,451	1,536,098	1,486,016	1,336,409	1,222,841
Other liabilities	5,776,552	6,116,572	6,175,629	6,275,638	6,258,897
Total Liabilities	\$ 9,620,026	\$ 8,833,647	\$ 9,847,446	\$ 12,182,151	\$ 9,895,216
Deferred Inflows of Resources					
Related to revenues	\$ 6,288	\$ 31,315	\$ 103,305	\$ 6,431	\$ 156,745

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

