



COMPLIANCE AND CONTROL AUDIT REPORT

Kansas Department of Wildlife and Parks

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
November 1997**

Legislative Post Audit Committee

Legislative Division of Post Audit

The **Legislative Post Audit Committee** and its audit agency, the **Legislative Division of Post Audit**, are the audit arm of Kansas government. The programs and activities of State government now cost about \$8 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of government agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U. S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. These audit standards have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the representatives, three are appointed by the Speaker of the House and two are appointed by the House Minority Leader.

As part of its audit responsibilities, the Division is charged with meeting the requirements of the Legislative Post Audit Act which address audits of financial matters. Those requirements call for two major types of audit work.

First, the Act requires an annual audit of the State's financial statements. Those statements, prepared by the Department of Administration's Division of Accounts and Reports, are audited by a certified public accounting firm under contract with the Legislative Division of Post Audit. The firm is selected by the Contract Audit Committee, which comprises three members of the Legislative Post Audit Committee (in-

cluding the Chairman and Vice-Chairman), the Secretary of Administration, and the Legislative Post Auditor. This audit work also meets the State's audit responsibilities under the federal Single Audit Act.

Second, the Act provides for a regular audit presence in every State agency by requiring that audit work be conducted at each agency at least once every three years. Audit work done in addition to the annual financial statement audit focuses on compliance with legal and procedural requirements and on the adequacy of the audited agency's internal control procedures. These compliance and control audits are conducted by the Division's staff under the direction of the Legislative Post Audit Committee.

LEGISLATIVE POST AUDIT COMMITTEE

Representative Eugene Shore, Chair
Representative Richard Alldritt
Representative Doug Mays
Representative Ed McKechnie
Representative Dennis Wilson

Senator Lana Oleen, Vice-Chair
Senator Anthony Hensley
Senator Pat Ranson
Senator Chris Steineger
Senator Ben Vidricksen

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LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

November 10, 1997

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To: Members, Legislative Post Audit Committee

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This report contains the findings and recommendation from our completed compliance and control audit, *Kansas Department of Wildlife and Parks*.

This report includes one recommendation for improving the Department's oversight of federal funds. We would be happy to discuss this recommendation or any other items in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

QUESTION 1: Did the Department of Wildlife and Parks' Financial-Management Practices Ensure That it Complied With State and Federal Spending Restrictions?

The Department generally has established adequate procedures to ensure that it complies with spending restrictions. The Department's practices identify restrictions on the use of moneys, account for each type of restricted moneys separately, allocate indirect costs appropriately, and provide supervisory oversight to ensure that moneys are properly spent. Further, our tests showed the Department complied with State and federal spending restrictions during fiscal year 1997.page 2

Question 2: Did the Department of Wildlife and Parks' Procedures Ensure That Local Agencies Spent Moneys Appropriately?

The Department's oversight practices generally are adequate to ensure that local agencies spend grant moneys appropriately. The Department has established adequate practices, including monitoring local spending on an ongoing basis and requiring independent audits where appropriate. During our testwork, we found that one new grant manager wasn't aware of the Department's existing audit requirement.page 4

Recommendation page 5

Agency Response page 7

This audit was conducted by Jerry Fair. Randy Tongier was the audit manager. If you need any additional information about the audit's findings, please contact Ms. Fair at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (785) 296-3792, or contact us via the Internet at: LPA@mail.ksleg.state.ks.us.

KANSAS DEPARTMENT OF WILDLIFE AND PARKS

The Legislative Division of Post Audit has conducted compliance and control audit work at the Kansas Department of Wildlife and Parks covering fiscal year 1997. Compliance and control audits identify noncompliance with applicable requirements and poor financial-management practices. The resulting audit findings often identify needed improvements that can help minimize the risk of potential future loss or misuse of State resources.

At the direction of the Legislative Post Audit Committee, this audit focused on how the Department ensures that restricted moneys are properly used, and on its oversight of grants to local agencies. The audit addresses the following specific questions:

- 1. Did the Department of Wildlife and Parks' financial-management practices ensure that it complied with State and federal spending restrictions?**
- 2. Did the Department of Wildlife and Parks' procedures ensure that local agencies spent moneys appropriately?**

To answer these questions, we identified applicable legal spending restrictions and standard financial-management practices. We then reviewed the Department's written procedures, interviewed appropriate Department personnel, and reviewed a sample of grants to local agencies to see if the Department's procedures were consistent with those practices. In conducting this audit work, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office.

Our findings are discussed on the following pages.

**Did the Department of Wildlife and Parks'
Financial-Management Practices
Ensure That It Complied with State and Federal
Spending Restrictions?**

The Department's financial-management practices generally are well designed, and the way they're being applied is likely to ensure that restricted State and federal funds aren't misspent. Among other practices, the Department has established both a method to allocate costs shared by different programs or funds in a logical and consistent manner, and a system of review by various staff.

**The Department of Wildlife and Parks Generally
Has Established Adequate Procedures to
Ensure that It Complies with State and
Federal Spending Restrictions**

During fiscal year 1997, the Department spent more than \$20 million dollars from the Wildlife Fee Fund. Of this amount, \$18 million was spent for direct wildlife projects and \$2 million was charged for administrative costs. Wildlife Fee Fund moneys are spent for many grant projects reimbursable by the U. S. Fish and Wildlife Service, U.S. Department of the Interior. For the State to be eligible for these reimbursements, it must agree that licensing fees for fishing and wildlife activities will be spent only for fish and wildlife activities and programs.

In past audits, we've found that the Department sometimes used Wildlife Fee Fund moneys for programs other than fish and wildlife. This violated federal restrictions on these moneys. Because of this, the State has had to use substantial General Fund moneys to restore the misspent wildlife funds. The Department has sought to improve its policies and procedures in order to comply with the federal restrictions and to allocate to the Wildlife Fee Fund only its "fair share" of overhead costs.

To accomplish the above objectives, the Department should have put in place certain financial-management practices, including the following:

- identifying any restrictions on the use of its moneys, particularly those restrictions imposed by law or regulation
- accounting for each type of restricted money separately from other moneys, so that the Department knows how each type of restricted money is spent
- requiring supervisory oversight to ensure that costs charged to a program actually were incurred by that program
- requiring business office review of expenditure documents to ensure that supervisory oversight has taken place

- checking for consistency between program costs and the funds from which those costs are paid, to identify programs whose costs shouldn't be paid from certain funds
- allocating joint costs shared by several programs or funds on a logical, consistent basis, so that each program or fund pays only its proper share of those costs.

To assess the Department's practices in this area, we interviewed Department officials, reviewed written procedures, and examined a sample of applicable documents. We found that the Department's practices generally were well designed and consistent with the "good practices" outlined above. Some of the specific practices of the Department are listed in the box below.

**The Department Has Implemented Certain Practices
To Ensure It Adheres to Spending Restrictions**

- The Department has developed a "top-down" attitude toward correctly identifying costs appropriate to the Wildlife Fee Fund. All Department officials we interviewed appeared to be concerned with the proper funding of expenses and with correctly allocating administrative costs.
- Department staff have designed project code descriptions for each activity performed within the Department. These project codes indicate the specific project being worked on and the appropriate funding source. Also included is a listing of allowed activities within the project.
- Each employee uses this code to properly record his or her work time. These same codes are used to ensure that operating expenditures are correctly recorded.
- Supervisors review the coding on activity sheets and reconcile employee activity reports to the total hours reported on the State payroll system. Supervisors also review the coding on expenditure vouchers and on data entered into the internal computerized accounting system.
- The computer system the Department uses for its internal accounting is programmed to note project codes that are inconsistent with the funding source codes. For example, an expenditure with a park project code can't be paid from the Wildlife Fee Fund.
- The internal records of the Department form the basis for indirect cost allocations. Before making any adjustments for allocated overhead, Department staff reconciles these internal records to the State accounting system. This practice helps to ensure that the accounting records are complete and accurate.
- Administrative costs have their own program codes and are kept separate in the Department internal accounting system. They then are allocated to the three major fee funds (Wildlife, Parks, and Boating) in the same proportion as the direct costs in each of the three main program areas. This method is both logical and reasonable. Staff review the administrative costs monthly and make any necessary corrections to the State system.

Did the Department of Wildlife and Parks' Procedures Ensure That Local Agencies Spent Moneys Appropriately?

Federal regulations require the Department, when awarding and administering a subgrant, to ensure that the subgrantee is aware of requirements imposed on it by federal laws and regulations. They also require the Department to monitor each subgrant-supported program, function, or activity to ensure that it complies with applicable federal requirements. We found that the Department generally has established adequate practices regarding the oversight of subrecipient's expenditures.

The Department's Oversight Practices Generally Are Adequate To Ensure That Local Agencies Spend Grant Moneys Appropriately

During fiscal year 1997, the Department of Wildlife and Parks transferred \$850,000 of U.S. Department of the Interior moneys to local entities from two programs: Sport Fish Restoration, and Land and Water Conservation. Sport Fish Restoration moneys must be spent to improve fishing facility access. Land and Water Conservation moneys must be spent for public-use recreation projects. The Department also transferred more than \$244,000 of State moneys for Community Lake Assistance Programs.

The Department is responsible for ensuring that local entities properly use these moneys. To do so, the Department should have put in place certain oversight practices. Those practices would include the following, as applicable:

- reviewing and approving local spending plans
- reimbursing local expenditures, rather than providing moneys in advance, and reviewing supporting documentation for the local expenditures to be reimbursed
- conducting on-site project reviews to ensure that the completed project meets the description of the project in the grant award
- conducting the required five-year follow-up inspections to ensure that project use has not changed
- requiring the local agencies to obtain periodic independent audits, if they meet the \$300,000 expenditure level requiring audit
- following up on and resolving any discrepancies noted by the reviews and audits

To assess the Department practices in this area, we interviewed appropriate agency officials, reviewed written procedures, and examined a sample of applicable

documents. Our review focused on whether oversight procedures existed, and their likely effectiveness in revealing any misspending.

We found that the Department generally has established procedures which ensure that local agencies spend moneys appropriately. These procedures include:

- approval by the funding federal agency of all projects to be performed
- inspection of projects before, or a short time after, payment by the State
- establishment of a procedure to review projects within each five-year time period.

In one federal grant program, the grant manager was unaware of the provision requiring audits of subrecipients, although the requirement was listed in each grant to the local entity. Federal requirements call for audits of the records of subrecipients who receive a total of \$300,000 or more of federal moneys. The grant manager who originally supervised the grants included in the period we reviewed is no longer with the Department, and current staff couldn't locate any audit reports. Although all the grants we reviewed included the provision requiring audits, the new grant manager wasn't aware of that provision, and hadn't established a procedure for making sure that future subrecipients' audits are received and reviewed for applicable findings.

Because the grants are for specific projects, it's unlikely that material misspending of federal moneys could occur. Department staff review costs before authorizing reimbursements. They also inspect the project for compliance with grant specifications within 90 days of completion. Nevertheless, because audits of subrecipients are required, Department staff will have to take steps to develop a procedure for receiving and reviewing them.

Recommendation

1. To provide for adequate oversight of federal funds it distributes to local agencies, the Department of Wildlife and Parks should do the following:
 - a. institute a method of ensuring that each subrecipient submits either an audit report or a notification that the audit requirement doesn't apply because the subrecipient doesn't receive enough federal moneys
 - b. institute a method of ensuring both review of audits received and follow-up on applicable audit findings, if any.

APPENDIX A

Agency Response

On October 22, 1997, we provided the Department of Wildlife and Parks with a draft copy of this audit report. The Department's response is included in this Appendix.



STATE OF KANSAS
DEPARTMENT OF WILDLIFE & PARKS

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October 30, 1997

Ms. Barbara Hinton
Legislative Post Auditor
Legislative Division of Post Audit
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Dear Ms. Hinton:

Thank you for providing the Kansas Department of Wildlife and Parks (KDWP) the opportunity to comment on the recent compliance and control audit of the Department. The KDWP appreciates the assistance and advice provided by your department's audit on our financial management practices. The KDWP has developed procedures and process to assure that the financial management practices of the Department comply with State and federal spending restrictions. The review performed by your staff on these procedures was helpful to the KDWP in providing verification that the actions taken by the Department were appropriate and that the financial management practices concurrently being utilized are adequate to assure proper expenditure of funds.

In regards to the issue of ensuring that local agencies spend federal grant funds in an appropriate manner, the KDWP concurs with the recommendation of the Legislative Post Auditor. The KDWP will provide information to federal fund subgrant recipients regarding federal audit requirements. In addition, the KDWP will request a copy of the most recent audit performed for the subgrant recipient and establish a system to review such audits and to take follow-up actions as necessary. The KDWP will be available if additional information regarding this audit is requested by the Legislative Post Audit Committee.

Sincerely,

A handwritten signature in cursive script that reads "Steve Williams".

Steve Williams, Secretary
Kansas Department of Wildlife and Parks