

COMPLIANCE AND CONTROL AUDIT REPORT

Department of Wildlife and Parks

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
December 2004**

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 \$10 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. Government Accountability 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 (including 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

Senator Derek Schmidt, Chair
Senator Bill Buntin
Senator Anthony Hensley
Senator Dave Kerr
Senator Chris Steineger

Representative John Edmonds, Vice-Chair
Representative Tom Burroughs
Representative Bill McCreary
Representative Frank Miller
Representative Dan Thimesch

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Barbara J. Hinton, Legislative Post Auditor

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LEGISLATURE OF KANSAS
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December 7, 2004

To: Members, Legislative Post Audit Committee

Senator Derek Schmidt, Chair
Senator Bill Bunten
Senator Anthony Hensley
Senator Dave Kerr
Senator Chris Steineger

Representative John Edmonds, Vice-Chair
Representative Tom Burroughs
Representative Bill McCreary
Representative Frank Miller
Representative Dan Thimesch

This report contains the findings, conclusions, and recommendations from our completed compliance and control audit of the *Department of Wildlife and Parks*. We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

Question 1: Has the Department of Wildlife and Parks Adopted Appropriate Procedures for Handling Mail Receipts at its Administrative Offices in Pratt?

The Department of Wildlife and Parks has adopted appropriate procedures for handling mail receipts at its administrative offices in Pratt. page 2
A recent federal audit noted that the Department didn't follow several standard practices, and raised a concern that an employee could take receipts without being detected. Although the Department doesn't follow the practices pointed out by the federal audit, in our opinion it has other procedures in place that would detect loss or misuse of receipts. The key procedure is a daily comparison of licenses and permits issued to receipts to be deposited.

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This audit was conducted by Randy Tongier. If you need any additional information about the audit's findings, please contact Mr. Tongier 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 us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.

Department of Wildlife and Parks

The Legislative Division of Post Audit has conducted compliance and control audit work at the Department of Wildlife and Parks. Compliance and control audits can 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 the Department's handling of mail receipts at the administrative offices in Pratt. The audit addresses the following specific question:

Has the Department of Wildlife and Parks adopted appropriate procedures for handling mail receipts at its administrative offices in Pratt?

To answer this question, we reviewed applicable statutes and policies, and identified standard receipt-handling practices. We also interviewed appropriate Department staff members, observed receipt procedures, and examined related records. For this audit, we limited our review to the design of the procedures, and didn't look at how well those procedures were implemented.

In conducting this audit, we followed all applicable government auditing standards.

Has the Department of Wildlife and Parks Adopted Appropriate Procedures For Handling Mail Receipts At Its Administrative Offices in Pratt?

The Department of Wildlife and Parks' procedures for handling mail receipts at its administrative offices in Pratt seem to us to be well-designed to address the risk of loss or misuse and to meet any applicable State requirements. These findings are discussed in more detail in the sections that follow.

The Department of Wildlife and Parks Has Adopted Appropriate Procedures for Handling Mail Receipts at Its Administrative Offices in Pratt

The Department of Wildlife and Parks is responsible for implementing receipts-handling procedures that meet applicable State requirements and ensure that receipts are properly recorded and deposited. The Department's receipts primarily are for licenses and permits, especially for hunting and fishing licenses. These receipts amount to about \$15 million a year. State statutes and the adopted policies and procedures of the Division of Accounts and Reports don't specifically address procedures for handling receipts other than a requirement for daily deposits in the Department's local bank account. To ensure that receipts are properly recorded and deposited, the Department's procedures should include the following:

- having different employees responsible for handling receipts and for issuing licenses and permits
- comparing amounts received in the mail to amounts deposited in the bank to make sure they agree
- depositing receipts on a timely basis, daily in this case

In addition to addressing general objectives related to controls over receipts, the Department must address concerns raised by a federal audit. The federal Department of the Interior issued an audit report in January 2003 that raised concerns about the Department's receipts-handling procedures. That report cited the following three concerns about the Department's procedures:

- The Department wasn't comparing receipts processed by licensing staff with amounts deposited in the bank to make sure they agree
- The Department wasn't comparing receipts received in the mail room with amounts deposited in the bank to make sure they agree
- The Department didn't limit handling of mail receipts only to employees responsible for preparing the bank deposit

The report concluded that, without these procedures, the potential exists for an employee to remove receipts without the loss being detected.

In response to concerns raised by that audit, the Department reviewed its receipts-handling procedures in detail. Based on its review, the Department concluded that its current procedures adequately addressed the concerns raised by the federal audit.

We conducted our own review of the Department's procedures by interviewing staff, observing selected procedures, and reviewing records. From our evaluation of the Department's procedures we concluded that, although they don't encompass all the steps recommended by the federal audit, they are adequate to reasonably limit the risk of loss or misuse of receipts.

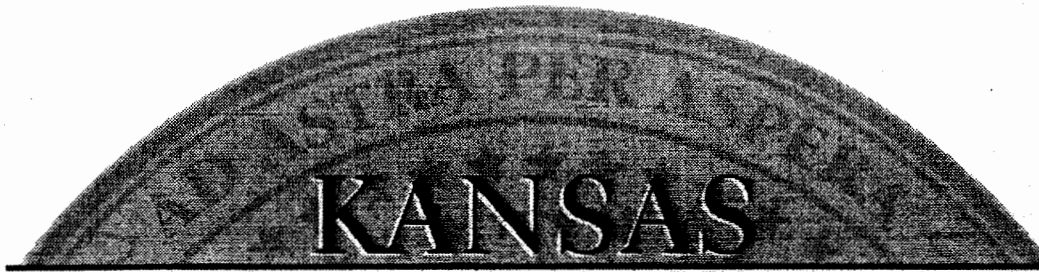
Although the Department doesn't completely segregate the responsibilities for handling receipts and issuing licenses and permits, it does have two compensating controls to identify any loss or misuse.

- If receipts for licenses are taken and the persons sending in those moneys don't get the requested licenses, those persons will raise that issue with the Department. That works to detect misappropriation of receipts unless the staff member taking the receipts also can issue the requested licenses. That, in fact, is the case for many of the Department's license receipts. However, the Department has the compensating control discussed below in place to address that risk.
- For essentially all license and permit fees, the Department's procedures call for a daily comparison of licenses and permits issued to receipts to be deposited. The comparison involves two separate staff members who serve as an independent check on each other—one to process the application materials and receipts, the other to record the licenses issued. If one staff member takes receipts and also attempts to issue the requested licenses, that attempt will be discovered by the comparison.

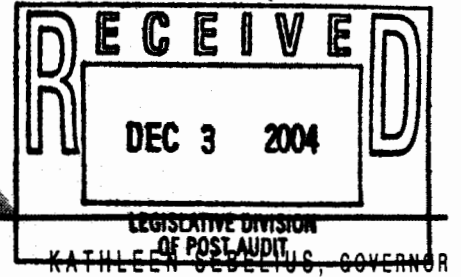
APPENDIX A

Agency Response

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.



DEPARTMENT OF WILDLIFE & PARKS



Barbara J. Hinton
Legislative Post Auditor
800 SW Jackson, Ste. 1200
Topeka, KS 66612-2212

December 3, 2004

Dear Ms. Hinton:

This letter is in response to your recently completed compliance and control audit of the Kansas Department of Wildlife and Parks. The audit focused on the Department's procedures for handling mail receipts at our Pratt Operations office. We would like to thank you for scheduling this audit review as a means to determine compliance for this issue in a Corrective Action plan that the agency is concluding after a 2001 Federal Audit of the department.

After review by our staff, we have no additional comments or corrections to your draft report. We feel the audit thoroughly examined our procedures for handling receipts and verified that the agency does maintain a sufficient checks and balances system for all receipts to be deposited.

We would like to express our appreciation to Mr. Randy Tongier for his work on this audit.

Sincerely,

Terry E. Denker
Chief, Planning & Federal Aid

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