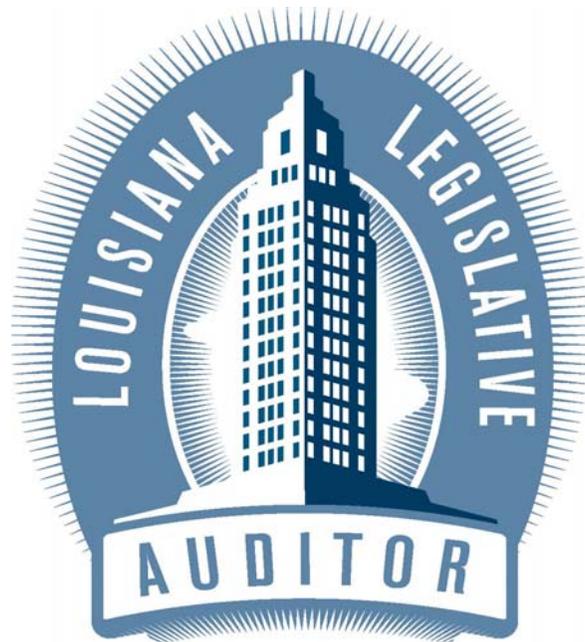


DEPARTMENT OF WILDLIFE AND FISHERIES
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 23, 2017

**LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Wildlife and Fisheries

August 2017

Audit Control # 80170108

Introduction

The primary purpose of our procedures at the Department of Wildlife and Fisheries (LDWF) was to evaluate certain controls LDWF uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

LDWF is responsible for the management of the state's renewable natural resources, including all wildlife and aquatic life. The control and supervision of these resources are assigned to LDWF in the Constitution of the State of Louisiana of 1974, Article IX, Section 7 and in revised statutes under Title 36 and Title 56. LDWF's mission is to manage, conserve, and promote wise utilization of the state's renewable fish and wildlife resources and their supporting habitats through replenishment, protection, enhancement, research, development, and education for the social and economic benefit of current and future generations; to provide opportunities for knowledge of and use and enjoyment of these resources; and to promote a safe and healthy environment for users of the resources.

Results of Our Procedures

We evaluated LDWF's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LDWF's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to LaCarte purchasing card expenses, payroll expenses, movable property, fleet management, and licenses and royalties for the dredging of fill material from state water bottoms.

Follow-up on Prior-year Findings

We reviewed the status of the prior audit findings identified in our procedural report dated November 9, 2016. We determined that the prior-year findings related to LDWF's purchase of an aircraft without a proper inspection and LDWF's questionable purchase of a \$220,000 Catamaran were single acquisitions that occurred in the prior fiscal year; our follow-up procedures did not disclose any similar transactions in the current fiscal year. The findings related to BP Tissue Sampling, the Louisiana Saltwater Series, and the License to Win Sweepstakes did not require follow-up, since these programs have ended. In addition, we

determined that management has resolved the prior-year finding for lack of management oversight over purchasing, sponsorships, and contracts.

The finding related to inadequate controls over movable property, including drones and guns, was partially resolved and is addressed again in this report (see Current-year Findings section, *Noncompliance with Federal Regulations over Unmanned Aircraft Systems*). The finding related to inadequate internal controls over time and attendance was partially resolved and is addressed again in this report.

Current-year Findings

Lack of Controls over Fill Material Licenses and Royalties

LDWF did not implement adequate controls over licenses and royalties for the dredging of fill material from state water bottoms, resulting in a potential loss of revenue to the state.

Louisiana Revised Statute (R.S.) 56:2011(A) states that no fill material shall be dredged from the water bottoms of this state without a license issued by LDWF, and R.S. 56:2011(C) requires royalty payments to the department based on cubic yards or equivalent of material dredged for five different classes of licenses.

LDWF management estimates fill material for one-time dredge projects and collects the royalty at the time of licensing with no additional monitoring; however, commercial pit operators are required to submit monthly dredging activity reports. LDWF management provided a spreadsheet it uses to track the monthly activity for commercial pit operators; however, it did not include details such as license numbers, dates issued, and deposit information (transaction date, deposit number, coding, etc.). The tracking spreadsheet indicated that some licensees previously overpaid royalties; however, the LDWF finance department was not aware that the royalty overpayments existed and did not have procedures in place to properly account for overpayments. In addition, reconciliations were not performed to ensure that license fees and royalty payments were received for all licenses issued.

R.S. 56:2011(H) states that the commission shall promulgate rules and regulations regarding fill material dredged from state water bottoms that shall include but not be limited to bond requirements, royalty payment deadlines, royalty auditing procedures, and location of dredging operations and placement of fill sand or fill material. Although rules were promulgated through Title 76 of the Louisiana Administrative Code (LAC) in 1993, LDWF did not update the LAC to reflect substantive changes in law enacted by Act 454 of the 2007 Regular Legislative Session. Current law requires royalty payments from five classes of license holders based on cubic yards of material dredged. Previously, royalty payments from persons or firms that were granted a permit from the department were determined by material type (fill material - gravel, sand, etc.).

Two of six licenses we reviewed that were issued during the period July 1, 2016, through March 31, 2017, disclosed the following weaknesses:

- One company applied for a permit and prepaid \$60,767 for a project that began in 1996 to dredge 303,711 cubic yards of fill material. Each year, the company has submitted a license application with the same information that was included in its original request and no additional royalties. LDWF did not notify the company that the rates changed as a result of Act 454 and has continued to grant a license each year without requiring the company to provide annual estimates of the types and amounts of dredged material. LDWF was unable to tell us how much material has been dredged to date for this project or if any consideration was given to the change in law in relation to royalties for this licensee.
- LDWF could not locate the license application for one licensee and was unable to locate evidence to support whether the royalty was received or a bond was provided in lieu of an upfront royalty.

Failure to properly manage and account for licenses and royalties increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected and may result in fraud or lost revenue.

Management should maintain a detailed listing of licenses issued, license fees received, and royalty payments received. LDWF Management and Finance should (1) reconcile license fees with licenses issued, (2) ensure monthly dredging activity reports are submitted and adequate royalty payments are made for the activity reported, and (3) ensure any overpayments are adequately handled. In addition, LDWF management should update rules and regulations for the dredging of fill material to reflect substantial changes in the revised statutes in accordance with Act 454 of the 2007 Regular Legislative Session. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Inadequate Controls over Time and Attendance

For the second consecutive engagement, LDWF did not maintain adequate internal controls over time and attendance, resulting in time statements that were not certified by employees and/or approved by a supervisor, and employee leave and overtime that were not approved by a supervisor.

Our review of system reports for the period June 20, 2016, through March 12, 2017, identified the following exceptions:

- 1,209 of 14,044 (9%) time statements were not certified by the employee.
- 1,490 of 14,044 (11%) time statements were not approved by a supervisor.
- 2,825 automatic postings totaling 17,073 hours for employee recorded leave or overtime were not approved by a supervisor. The department's time and attendance application, Cross Application Time Sheet (CATS), will allow leave and overtime entries to automatically post to a time statement if the supervisor does not approve or reject the entries before the time statement is locked. In our review of 60 auto-postings, 10 (17%) were included on a time statement that was

not approved by the supervisor, which resulted in 54 hours of unapproved leave taken or overtime earned.

In addition, our review of 20 time statements identified 11 (55%) system reports that were not printed and retained by time administrators. These reports should be used for monitoring the certification and approval of time statements, leave, and overtime.

Good internal control should ensure that policies and procedures over time and attendance are followed; time and attendance records are properly certified and approved; and adequate monitoring of time and attendance data is performed timely to identify possible errors and overpayments. Civil Service regulations require each employee and the appointing authority or his agent to certify on each payroll or subsidiary document the fact of the actual rendering of service in the position, the actual number of hours of attendance on duty, and the number of hours of absence from duty.

Although LDWF updated its written time and attendance policies and procedures for the electronic certification of employee time statements in the CATS system, management did not ensure that employees, supervisors, and time administrators were aware of their responsibilities under the new policy. Failure to properly communicate policies and implement good internal controls over time and attendance increases the risk that payroll errors or fraud could occur and remain undetected.

Management should ensure that employees, supervisors, and time administrators are aware of their responsibilities under the newly revised time and attendance policy. In addition, management should implement adequate controls to ensure compliance with the policy and Civil Service regulations, and to ensure that any time and attendance errors are identified and corrected timely. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Noncompliance with Federal Regulations over Unmanned Aircraft Systems

LDWF did not develop or implement written policies and procedures related to the use of drones, resulting in noncompliance with the Federal Aviation Administration (FAA) regulations over unmanned aircraft systems (drones).

On June 28, 2016, the FAA released the Small Unmanned Aircraft Systems (UAS) Rule, which addresses the operation of small UAS and certification of their remote pilots. This rule, which provides specific safety regulations for non-recreational use of UAS, became effective on August 29, 2016, and states that all UAS must be registered with the FAA and that all pilots must have a Remote Pilot Airman Certificate and pass Transportation Security Administration vetting. The rule also states that government entities have two options for flying UAS: (1) fly under the Small UAS Rule or (2) obtain a blanket public Certificate of Waiver or Authorization.

Our review disclosed that three of four drones on LDWF's inventory were not properly registered with the FAA. In addition, LDWF does not have a blanket public Certificate of Waiver or Authorization from the FAA.

Management should create and implement written policies and procedures related to the purchase and operation of drones to ensure compliance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

LaCarte Purchasing Card Expenses

LDWF participates in the State of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenses. Due to inherent risks that exist with these cards, we obtained an understanding of LDWF's controls over access to and use of the cards.

We analyzed LaCarte card transaction listings for the period July 1, 2016, through February 28, 2017, and reviewed selected transactions. Based on the results of our review, LDWF had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Payroll Expenses

Based on the prior-year finding, we performed procedures to determine: (1) if time statements were certified by employees and/or approved by a supervisor, and if employee leave and overtime were approved by a supervisor and (2) if LDWF updated its written time and attendance policies and procedures for the electronic certification of employee time statements. Based on the results of our procedures, time statements were not certified by employees and/or approved by a supervisor, and employee leave and overtime were not approved by a supervisor. We determined that LDWF updated its policies and procedures for electronic certification of employee time statements; therefore, the prior-year finding was partially resolved (see Current-year Findings section).

Movable Property

Based on the prior-year finding, we performed procedures to determine if LDWF implemented internal controls over movable property items, including drones and guns. Based on the results of our procedures, LDWF did not develop or implement written policies and procedures related to the use of drones, resulting in noncompliance with the FAA regulations over drones (see Current-year Findings section).

Fleet Management

The Fleet Management Program for the State of Louisiana is established and operated under the authority given to the commissioner of administration by R.S. 39:361-363. As of April 24, 2017, LDWF had 332 employees who were approved for personal assignment and/or home storage of

state owned vehicles. Due to inherent risks that exist with personal assignment of LDWF's large vehicle fleet, which is located all over the state in various regional offices, we obtained an understanding of LDWF's controls over fleet and reviewed selected personal assignment records. Based on the results of our procedures, LDWF has adequate controls over its personal assignment and home storage requirements for its vehicle fleet.

Licenses and Royalties for the Dredging of Fill Material from State Water Bottoms

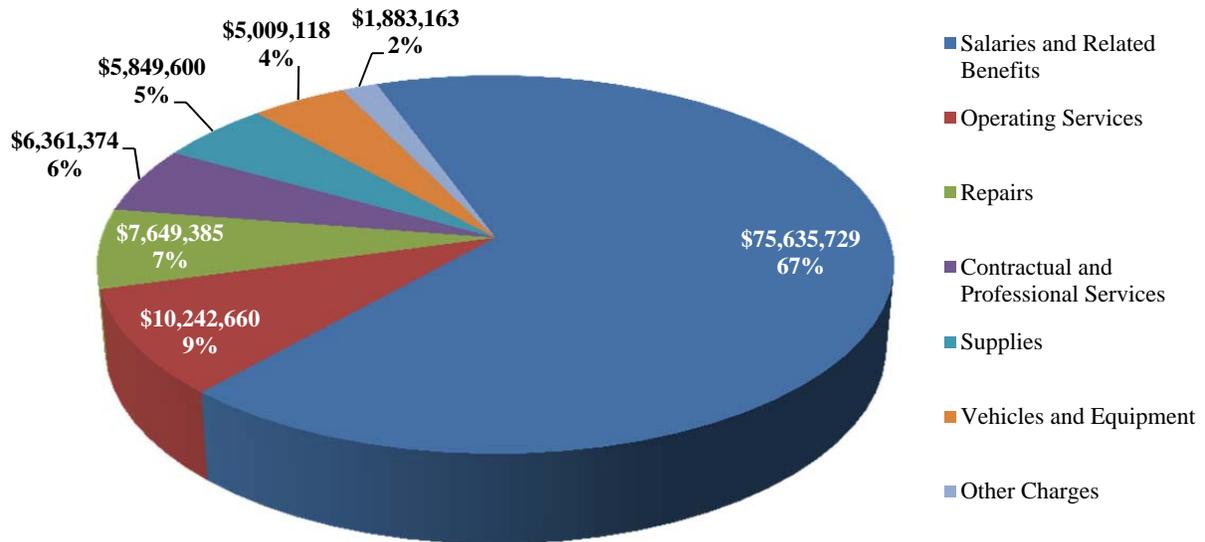
We obtained an understanding of LDWF's procedures for collecting license fees and royalty payments associated with the dredging of state water bottoms. Based on the results of our procedures, LDWF did not implement adequate controls over licenses and royalties for the dredging of fill material from state water bottoms, resulting in a potential loss of revenue to the state (see Current-year Findings section).

Trend Analysis

We compared the most current and prior-year financial activity using LDWF's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from LDWF management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We presented LDWF's expenses for the year ended June 30, 2017 (see Exhibit 1), for informational purposes, noting that salaries and related benefits are 67% of total departmental expenses.

Exhibit 1: 2017 Expenses
Total: \$112,631,029



Source: Prepared by legislative auditor’s staff using agency-generated reports

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Thomas H. Cole, CPA
 First Assistant Legislative Auditor

EM:BQD:EFS:aa

LDWF 2017

APPENDIX A: MANAGEMENT'S RESPONSES



JOHN BEL EDWARDS
GOVERNOR

State of Louisiana
DEPARTMENT OF WILDLIFE AND FISHERIES

JACK MONToucET
SECRETARY

July 20, 2017

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Lack of Controls over Fill Material Licenses and Royalties

Mr. Purpera,

The Department concurs with the above stated finding and recommendation. Please find our response and corrective action plan below.

Management should maintain a detailed listing of licenses issued, license fees received, and royalty payments received. LDWF Management and Finance should (1) reconcile license fees with licenses issued, (2) ensure monthly dredging activity reports are submitted and adequate royalty payments are made for the activity reported, and (3) ensure any overpayments are adequately handled. In addition, LDWF management should update rules and regulations for the dredging of fill material to reflect substantial changes in the revised statutes in accordance with ACT 454 of the 2007 Regular Legislative Session.

The Department, with the assistance of the Office of Technology Services, is planning the development of a software application for the Fill Material Program. We anticipate that development of this new system will begin in the Fall of 2017. This new application will assist in strengthening the internal controls over the Fill Material Program.

Prior to the implementation of the new application, LDWF's Fiscal Section will update its current fill material reconciliation process to ensure license fees and royalty payments are received for all licenses issued. The target date for these updates is September 1, 2017.

The Mineral Program (which oversees Fill Material) will continue to maintain a database which includes licenses issued, license fees received, and royalty payments received. In addition, the Mineral Program will continue to monitor monthly dredging reports submitted. As part of the corrective action plan, the Mineral Program will devote more staff time to ensure that the database has current and complete information, and that all monthly dredging reports are submitted. Furthermore, the Mineral Program will discontinue its current practice of allowing companies to carry forward overpayments to future license years, or to other pits owned by the same company. Instead, the Mineral Program will notify the Fiscal Section to issue a refund when necessary. The target date for implementation of these corrective actions is August 1, 2017.

In addition to your recommendations, the Mineral Program has instituted regular site visits to investigate known and potential dredging facilities to ensure program compliance.

LDWF's Legal Section will update rules and regulations for the dredging of fill material to reflect the changes in the revised statutes. The target date for these updates to be completed is December 1, 2017.



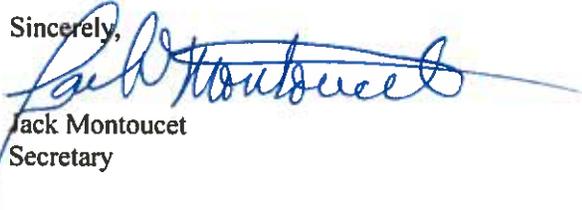
JOHN BEL EDWARDS
GOVERNOR

State of Louisiana
DEPARTMENT OF WILDLIFE AND FISHERIES

JACK MONToucET
SECRETARY

We value the experience of this audit and view it as an opportunity to improve our business processes. Please contact me if you should have any additional questions.

Sincerely,


Jack Montoucet
Secretary



JOHN BEL EDWARDS
GOVERNOR

State of Louisiana
DEPARTMENT OF WILDLIFE AND FISHERIES

JACK MONTOUCKET
SECRETARY

June 19, 2017

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Inadequate Controls over Time and Attendance

Mr. Purpera,

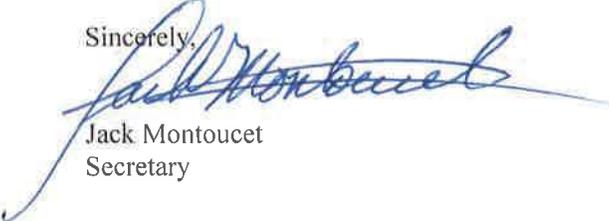
The Department concurs with the above stated finding and recommendation. Please find our response and corrective action plan below.

Management should ensure that employees, supervisors, and time administrators are aware of their responsibilities under the newly revised time and attendance policy. In addition, management should implement adequate controls to ensure compliance with that policy and Civil Service regulations and to ensure that any time and attendance errors are identified and corrected timely.

The updated time and attendance policy will be posted on the Department's Intranet, and a reminder of the policy will be distributed to all employees. Beginning in July 2017, the Human Resources Department will begin conducting monthly audits to ensure compliance with the policy. Appointing authorities will be made aware of repeated compliance issues. In addition, the Audit Department will add a time and attendance audit to the 2018 audit plan.

We value the experience of this audit and view it as an opportunity to improve our business processes. Please contact me if you should have any additional questions.

Sincerely,



Jack Montoucet
Secretary



JOHN BEL EDWARDS
GOVERNOR

State of Louisiana
DEPARTMENT OF WILDLIFE AND FISHERIES

JACK MONTOUCKET
SECRETARY

June 19, 2017

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Noncompliance with Federal Regulations over Unmanned Aircraft Systems

Mr. Purpera,

The Department concurs with the above stated finding and recommendation. Please find our response and corrective action plan below.

Management should create and implement written policies and procedures related to the purchase and operations of drones to ensure compliance with federal regulations.

The Department will create a written policy for compliance with the FAA's Small Unmanned Aircraft System Rule. This policy will be posted on the Department's Intranet and distributed to applicable employees. In addition, the Department will apply for a blanket public certificate of waiver for the operation of small unmanned aircraft systems. This corrective action will be completed by August 1, 2017 by employees of the Office of Wildlife working in coordination with Property Control.

We value the experience of this audit and view it as an opportunity to improve our business processes. Please contact me if you should have any additional questions.

Sincerely,



Jack Montoucet
Secretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Wildlife and Fisheries (LDWF) for the period July 1, 2016, through June 30, 2017. Our objective was to evaluate certain internal controls LDWF uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review LDWF's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. LDWF accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LDWF's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LDWF.
- Based on the documentation of LDWF's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to LaCarte purchasing card expenses; payroll expenses; movable property; fleet management; and licenses and royalties for the dredging of fill material from state water bottoms.
- We compared the most current and prior-year financial activity using LDWF's annual fiscal reports and/or system-generated reports and obtained explanations from LDWF's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of work at LDWF and not to provide an opinion on the effectiveness of LDWF's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.