

Department of Fish and Game

Its Limited Success in Identifying Viable Projects and Its Weak Controls Reduce the Benefit of Revenues From Sales of the Bay-Delta Sport Fishing Enhancement Stamp

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Department of Fish and Game's response as of December 2008

The Joint Legislative Audit Committee (audit committee) asked the Bureau of State Audits to independently develop and verify information related to the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) program. Generally speaking, the audit committee's request focused on spending authority for the fish stamp revenues, the appropriateness of expenditures incurred in the program, and the required reporting to the fish stamp advisory committee (committee).

Finding #1: The Department of Fish and Game has not fully used revenues from the fish stamp program.

The Department of Fish and Game (Fish and Game) has not identified or pursued a course of action to ensure the full use of the revenues that it generates through sales of the fish stamp. Since the inception of the fish stamp program, Fish and Game has sold nearly 1.5 million annual fish stamps, generating \$8.6 million in revenue and interest; however, as of June 2008, it had approved only 17 projects representing \$2.6 million in commitments to funding. In addition, during the first two fiscal years in which it collected the fish stamp fee, Fish and Game did not request any spending authority to use the revenue to fund fish stamp projects. Further, during this same period Fish and Game did not reallocate unused funding from other accounts within the Fish and Game Preservation Fund (preservation fund), which holds money collected under state laws governing the protection and preservation of birds, mammals, fish, reptiles, and amphibians.

Therefore, it did not have the authority to spend any of the revenues generated to pay either for projects or for related administrative expenses. Even though it did request spending authority in fiscal years 2005–06 through 2007–08, Fish and Game still did not actively identify and fund projects up to the level of spending authority obtained. As a result, the balance in the fish stamp account continues to increase, and individuals who pay for fish stamps are not receiving the full benefit from their purchases.

To ensure that the fish stamp fulfills its intended benefit, we recommended that Fish and Game work with the committee to develop a spending plan that focuses on identifying and funding viable projects and on monitoring revenues to assist Fish and Game in effectively using the fish stamp revenues.

Audit Highlights . . .

Our review of the Department of Fish and Game's (Fish and Game) Administration of the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) program revealed the following:

- » *Fish and Game's use of the money collected from fish stamp sales has been limited.*
- » *Fish and Game and the fish stamp advisory committee (committee) have been slow in identifying and approving projects.*
- » *As of June 30, 2008, the fish stamp account had an unspent balance of over \$7 million, although a portion of this amount was committed to approved projects that have not yet been funded.*
- » *Fish and Game does not have an accurate accounting of either its administrative expenditures or individual project expenditures for the fish stamp program.*
- » *Periodic reports Fish and Game provides to the committee do not include all the required information.*
- » *During fiscal years 2005–06 through 2007–08, Fish and Game spent an estimated \$201,000 in fish stamp funds to pay for payroll costs and goods and services unrelated to fish stamp activities.*

Fish and Game's Action: Partial corrective action taken.

According to Fish and Game, its staff has prepared a draft spending plan that is currently being reviewed by management. The draft will be provided to the audit committee for comment and review at the next business meeting, scheduled for January 2009. Fish and Game officials expect a final spending plan to be completed by April 2009.

Finding #2: Weak controls limit Fish and Game's ability to monitor and report project activity.

Fish and Game does not have a sufficient system of internal or administrative controls to monitor fish stamp project activity. For example, the department's accounting system does not adequately track project expenditures. As a result, project expenditures are difficult to reconcile, and have been incorrectly charged to other funding sources. For example, in fiscal year 2005–06, Fish and Game approved using \$50,000 in fish stamp funds to enhance its efforts to enforce laws against sturgeon poaching. However, Fish and Game actually charged the \$50,000 to another of its funding sources. In another instance, the agreement for one fish stamp project required Fish and Game to pay a specified percentage of annual lease payments from the fish stamp account. However, according to a department official, Fish and Game paid this expenditure out of its general fund appropriation in fiscal year 2005–06 and 2006–07 rather than from the fish stamp account.

Additionally, information provided by Fish and Game to the committee both in periodic reports and in committee meetings is not always accurate or complete. Therefore, the committee is less able to make informed decisions on funding fish stamp projects.

To track and report project costs adequately, we recommended that Fish and Game improve the tracking of individual project expenditures by assigning each fish stamp project its own project cost account within the accounting system. Additionally, we recommended that Fish and Game require that project managers approve all expenditures directly related to their projects and periodically reconcile the records for their respective projects to accounting records and report expenditures to the staff responsible for preparing the advisory committee reports. We also recommended that Fish and Game reimburse its general fund appropriation for the lease payments that should have been paid from the fish stamp account.

Further, we recommended that Fish and Game should, at least annually, provide the committee with written reports of actual project expenditures and detailed information on project status as well as total administrative expenditures. Finally, we recommended that Fish and Game ensure that the information it communicates to the committee is accurate.

Fish and Game's Action: Partial corrective action taken.

Fish and Game reports that fish stamp staff and the Accounting Services Branch have met to discuss options to better track and monitor project expenditures. Fish and Game decided that project costs could be isolated with a unique index code. The index code is associated with the division, unit, or region performing the work. In situations where project costs cannot be isolated by an index/project cost account (PCA) combination, new PCAs will be added as needed. All new projects funded by the fish stamp will be uniquely identified by an index code or PCA.

Additionally, according to Fish and Game, officials have contacted all fish stamp project managers requesting detailed expenditure data to date and will continue to request this information quarterly or as needed depending on the project's duration. Fish and Game officials also stated that fish stamp staff have begun reconciling expenditures with CalSTARS reports. Fish stamp staff will also be requesting detailed expenditure information quarterly or as needed. Fish and Game expects to have all project expenditures reconciled by the beginning of 2009.

Fish and Game also reports that the fiscal year 2006–07 lease payments have been adjusted from its general fund appropriation and reflected in the fish stamp account. Fish and Game is continuing to research the prior year payments and expects to complete adjustments by April 2009.

Fish and Game plans to provide the committee with a detailed financial overview at the next business meeting, scheduled for January 2009. According to Fish and Game, the detailed overview will include administrative costs, project costs, amount encumbered, actual expenditures, and project status. Finally, according to Fish and Game, fish stamp staff always strive to provide accurate information and are continuing to work to ensure budget and expenditure data are accurate.

Finding #3: Expenditures charged to the fish stamp account were inaccurate.

During fiscal years 2005–06 through 2007–08, Fish and Game charged expenditures totaling an estimated \$201,000 to the fish stamp account that were unrelated to fish stamp activities. Although state law cites a broad definition of expenditures allowed under the fish stamp program, the expenditures we identified as inappropriate were payroll and invoice costs that were not related to any approved fish stamp project or administrative activity.

In addition, Fish and Game did not charge the account for certain administrative expenditures it incurred during the fish stamp program's first two fiscal years. Appropriate administrative expenditures would include costs for staff assigned to facilitate operating the program. These administrative expenditures also include indirect charges, which are agency wide costs proportionally distributed among all the agency's funds or accounts. The manager of the program management branch stated that the administrative expenditures for these two years were charged to the nondedicated account within the preservation fund. Based on invoices provided by Fish and Game, we know that during fiscal years 2003–04 and 2004–05, Fish and Game incurred at least \$18,000 in administrative expenditures for printing the fish stamps sold in 2004 and 2005. We also know that Fish and Game should have charged these costs to the fish stamp account but that it did not do so.

We recommended that Fish and Game provide guidelines to its employees to ensure that they appropriately charge their time to fish stamp projects. In addition, we recommended that Fish and Game discontinue the current practice of charging payroll costs to the fish stamp account for employee activities we identified as not pertaining to the program. Finally, we recommended that Fish and Game determine whether it inappropriately charged any other expenditures to the fish stamp account and make the necessary accounting adjustments.

Fish and Game's Action: Partial corrective action taken.

Although Fish and Game did not directly address our recommendation that it provide guidelines to staff concerning when to charge activities to the fish stamp account, it believes that regular reconciliations of project manager detailed expenditures against CalSTARS reports will ensure that any inappropriate charges made to the fish stamp account will be identified and corrected.

Fish and Game reports that current year charges that were inappropriately made to the fish stamp account have been corrected. Fish and Game has also retrieved some of the prior year time sheets that had inappropriate charges to the fish stamp account and are waiting on the receipt of other time sheets. Once these time sheets are corrected to reflect the appropriate charges, Fish and Game will make adjustments to correct the payroll costs to the correct funds. Fish and Game expects to have all payroll adjustments made by April 2009.

