

**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND**

**MANAGEMENT LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



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To The Fiscal Committee Of The General Court:

We have audited the financial statements of the New Hampshire Fish and Game Fund as of and for the fiscal year ended June 30, 2018 and have issued our report thereon dated December 21, 2018.

This management letter, a byproduct of the audit of the New Hampshire Fish and Game Fund for the fiscal year ended June 30, 2018, contains our auditor's report on internal control over financial reporting and on compliance and other matters and related audit findings. The appendix, starting on page 31 of the management letter, provides a summary of the status of observations related the report titled State of New Hampshire, Fish and Game Department, Off Highway Recreational Vehicle Registration Program, Internal Control Over Revenue, dated November 2012.

The New Hampshire Fish and Game Fund fiscal year 2018 audited financial statements can be accessed online at:

http://www.gencourt.state.nh.us/LBA/AuditReports/FinancialReports/pdf/Fish_Game_Fund_2018.pdf

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

December 21, 2018

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**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
2018 MANAGEMENT LETTER**

TABLE OF CONTENTS

	<u>PAGE</u>
Letter Of Transmittal	i
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	1
<i>Internal Control Comments</i>	
<i>Material Weakness</i>	
1. Establish Formal Policies And Procedures To Support Significant Accounting And Financial Reporting Activities	3
2. Establish A Formal Risk Assessment Process	4
3. Establish Policies And Procedures For Real Property Valuations.....	5
<i>Significant Deficiencies</i>	
4. Establish Formal Policies And Procedures For Fraud Prevention, Detection, And Reporting	7
5. Segregate Incompatible Duties In The Revenue Process	8
6. Improve Front Office Sales Reconciliation Process	9
7. Expand Controls And Establish Formal Policies And Procedures For Reconciliation Of Registration Revenues.....	10
* 8. Establish Process To Control Sale Of Reduced-Fee Registrations.....	12
9. Expand Risk Assessment Activities To Include Consideration Of Service Organization Control Reports	13
10. Implement Procedures For Accrual Of Registration Revenue At Fiscal-Year End	15
11. Obtain Support For Fish And Game Fund Revenues Collected By The Department Of Safety	16
12. Formalize Policies And Procedures For Allocating Administrative Costs To The Dedicated Funds.....	17
13. Strengthen Accounts Payable Controls.....	18
14. Review And Monitor Workers’ Compensation Payments	19
15. Review Invoice Amounts For Adherence To Contract Terms.....	20
16. Strengthen Controls Over Ammunition Inventory.....	21
17. Establish Policies And Procedures For Reconciliations Of Asset Purchases	23
18. Segregate Incompatible Duties In The Equipment Process And Review Access To Information System	24

* Audit comments suggest legislative action may be required.

State Compliance Comments

19. File Financial Disclosures In Accordance With RSA 15-A25
20. Forward Gifts And Donations Exceeding \$2,500 To Governor And Council
 For Approval As Required By RSA 206:33-a 26
21. File Statutorily-Required Reports 28

APPENDIX - Current Status Of Prior Audit Findings - State Of New Hampshire, Fish
 And Game Department, Off Highway Recreational Vehicle Registration
 Program, Internal Control Over Revenue, dated November 2012 31

Acronyms Used

- DAS - Department of Administrative Services
- DNCR - Department Of Natural And Cultural Resources
- FIMS - State’s Motor Vehicle Fleet Database
- LBA - Legislative Budget Assistant
- NHFirst - New Hampshire State Government Accounting And Financial Reporting System
- NHOVA - New Hampshire Off Highway Vehicle Association
- NHSA - New Hampshire Snowmobile Association
- OHRV - Off-Highway Recreational Vehicle
- P-BIL - Postage Billing
- POS - Point of Sale
- S3 - Contracted On-Line Licensing And Registration System
- SOC - Service Organization Control

This report, and all other LBA-issued financial audit reports, can be accessed on-line at:
<http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx>



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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To The Fiscal Committee Of The General Court:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Hampshire Fish and Game Fund (Fund) which comprise the Balance Sheet as of June 30, 2018, and the Statement of Revenues, Expenditures, and Changes in Fund Balance for the year then ended, and the related notes to the financial statements, which collectively comprise the New Hampshire Fish and Game Fund's basic financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) of the Fund to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following observations, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiencies described in Observations No. 1 through No. 3 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Observations No. 4 through No. 18 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Observations No. 19 through No. 21.

Department of Fish and Game's Responses To Findings

Management's responses to the findings identified in our audit are included with each reported finding. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fish and Game Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Office Of Legislative Budget Assistant

December 21, 2018

Internal Control Comments
Material Weakness

Observation No. 1: Establish Formal Policies And Procedures To Support Significant Accounting And Financial Reporting Activities

Observation:

The Department has not established formal policies and procedures to support significant aspects of its financial operations. While in some cases, Business Division employees have documented procedures for their assigned tasks, there are no formal policies and procedures.

During the course of the audit we noted certain activities were lacking formal policies and procedures. Those examples are listed below and are the subjects of individual audit comments as noted. Significant aspects of the Department's financial operations with no formal policies and procedures include, but are not limited to:

- Risk assessment process (See Observation No. 2)
- Real property valuation (See Observation No. 3)
- Fraud prevention, detection, and reporting (See Observation No. 4)
- Revenue reconciliations (See Observation No. 6 and No. 7)
- Reduced-fee registrations (See Observation No. 8)
- Revenue distributions from Department of Safety (See Observation No. 11)
- Allocation of administrative costs to dedicated funds (See Observation No. 12)
- Accounts payable (See Observation No. 13)
- Workers' compensation payments (See Observation No. 14)
- Asset purchase reconciliations (See Observation No. 17)
- Gifts and donations (See Observation No. 20)

In addition to the examples above, we also noted there were no formal policies and procedures for the physical inventory processes associated with the Department's equipment and consumable inventories.

Policies and procedures are an organization's primary control process for ensuring that appropriate operating criteria are regularly met over time. As such, policies and procedures should be initiated, vetted, and reviewed and approved by appropriate levels of management to ensure the policies and procedures are appropriate for their purpose, are in alignment with the organization's goals and objectives, and provide for operational controls suitable to their purpose. To be effective, policies and procedures must be readily available to employees, employees must be trained in the application of the policies and procedures, and compliance with the policies and procedures must be monitored to ensure they remain in place and effective over time.

Recommendation:

The Department should establish formal policies and procedures to support its significant accounting and financial reporting activities. The Department should first perform an inventory of its significant activities to determine the scope of a policies and procedures effort and the resources necessary for the effort.

Policies and procedures should be management-approved and address processes and controls that support accounting and financial reporting activities and compliance with management's objectives and expectations. Approved policies and procedures need to be effectively communicated, and employees appropriately trained. In addition, Department management should establish a suitable monitoring control to ensure the policies and procedures that are in place operate as intended and remain relevant.

Auditee Response:

We concur

The Department's Senior Leadership will address this issue and determine the best course of action, the steps to be taken, and the necessary resources involved to establish policies and procedures to support significant aspects of its financial operations. We do already have many policies and procedures in place, but certainly many more need to be completed. At this point we cannot determine a timeline for this to be implemented as resources are already stretched thin.

Observation No. 2: Establish A Formal Risk Assessment Process

Observation:

The Fish and Game Department (Department) does not have formal risk assessment policies, procedures, or processes in place for recognizing, assessing, and responding to risks with the potential to affect Department objectives. The Department reports that risk assessment is an ongoing, but informal, part of its business operations.

Risk assessment, one of the five generally accepted components of internal control, is a process for identifying, assessing, and responding to risks related to the achievement of management's objectives. A prerequisite to an effective risk assessment is the establishment and recognition of objectives and the risks that may put achieving those objectives in jeopardy.

An effective risk assessment process is the foundation for the development and implementation of effective and efficient controls intended to identify and eliminate, mitigate, or otherwise manage identified risks. A formal and well-planned risk assessment process increases the likelihood that the appropriate balance between the costs and benefits of controls can be understood and become the basis for controls put into operation. As risks change over time with changes in processes and environment, controls intended to mitigate risk may become inefficient

and ineffective. Without an ongoing risk assessment process, the identification and response to risk often occurs in a reactive mode, after a risk has been realized and a loss incurred.

Recommendation:

The Department should establish a formal and documented risk assessment process for recognizing and responding to risks, including but not limited to, risks associated with operational, compliance, and financial reporting objectives. The risk assessment processes should also specifically include the consideration, identification, and assessment of potential fraud risks.

In developing its risk assessment process, the Department should seek the assistance of the Department of Administrative Services and other agencies that have developed formal risk assessment processes. The Department should research and review example processes and documentation to become familiar with common components of risk assessment processes.

As part of its risk assessment process, the Department should periodically review its operations, including those processes and controls intended to mitigate risk, to ensure the processes and controls remain appropriately designed to address changes in the Department's risk profile.

Auditee Response:

We concur

The Department concurs with the reasonableness that all risk should be assessed; however Department management is not familiar with this process. We will request assistance and examples, from other State agencies, to garner an understanding of what is expected and produce a formal documented process.

Observation No. 3: Establish Policies And Procedures For Real Property Valuations

Observation:

The valuation of the Department's real property is understated due to the Department not reporting a valuation for a number of parcels of real property totaling approximately 5,200 acres of land. The Department reported some properties lacked accurate values as source documentation was unknown or destroyed in a fire, some donated properties were received without a market value appraisal, and some properties included manmade structures that were not assessed or appraised. Some of the real property assets, including some land easements and dams, were received through donations or transfers from other departments of the State, without a reported historical value. Using the average value of an acre of land for the Department's properties with values, the understatement related to the 5,200 acres without reported valuation is approximately \$8.2 million.

Recommendation:

The Department should review the origins of the Department's ownership of real property that currently is not valued in the Department's real property records. Where no historical documentation is available to support a valuation, the Department should assign an estimated value, consistent with the State's policies for the valuation of real property and documented with the available information and calculation used to make the value estimation.

The Department should establish policies and procedures to ensure that any properties acquired in the future by the Department are properly valued with supporting documentation at the time of acquisition. Documentation of the values should be maintained for future purposes.

Auditee Response:

We concur

The Department will review the origins of the Department's real property that currently is not valued in our real property records and compile a complete listing of these properties. After this list is compiled, we will take steps to assign a value based on the State's policy.

The Department reached out to the Department of Administrative Services Real Property Asset Manager to determine if there was a State policy or process in place for assigning a value to properties that currently have no value attached. While there is no such specific policy in place, the guidance we were provided is to estimate the historic acquisition cost value. This valuation will be an estimate utilizing the best information the Department has available to assign an historic estimate.

From this point forward, any properties acquired by the Department will be assigned a value at the time of recognition.

Significant Deficiencies

Observation No. 4: Establish Formal Policies And Procedures For Fraud Prevention, Detection, And Reporting

Observation:

The Department has not established and implemented a formal fraud prevention, detection, and reporting program. While the Department's employee manual, revised July 2016, includes a policy and procedure for the reporting and handling of employee misconduct complaints, including criminal and administrative complaints, the manual does not specifically identify and discuss policies and procedures to address the risk of fraud. The Department uses the employee manual during new hire orientation and the manual is available electronically on the Department's shared drive. Employees are notified of revisions to the manual by email.

Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. Fraud risk can be greater in organizations with multiple business locations, such as the Department, which makes central management oversight more difficult.

The absence of formal fraud risk policies and procedures increases the risk of delay in the prevention, detection, reporting, and responding to a fraud event.

Recommendation:

The Department should establish and implement a formal fraud prevention, detection, and reporting program supported by policies and procedures. Fraud risk exposure should be assessed periodically to identify potential fraud schemes and to determine whether the fraud risks are controlled or mitigated to the degree intended by management. An anti-fraud program should make employees aware of the importance of controls in the organization, management's expectations for managing fraud risk, typical indicators of fraud often referred to as "red flags," and appropriate actions for employees to take if fraud is suspected. Further, the Department should periodically communicate its anti-fraud policies and procedures to all employees and ensure the employees understand the same.

Auditee Response:

We concur

The Department's Senior Leadership will address this issue and determine the best course of action, the steps to be taken, and the necessary resources involved to establish a formal fraud prevention, reporting and detection program.

Observation No. 5: Segregate Incompatible Duties In The Revenue Process

Observation:

The Fish and Game Department's (Department) front-office and business-office functions operated with increased risk of undetected errors and frauds due to the lack of segregation of certain incompatible responsibilities assigned to staff during fiscal year 2018.

Proper segregation of duties controls ensure that no one person has the responsibility for the three main business processes of custody, authorization, and record-keeping. Segregating incompatible duties and implementing mitigating controls where complete segregation is not efficiently or effectively possible increases an entity's ability to detect and correct errors and frauds that may occur during the normal course of business.

During fiscal year 2018, two key front-office staff and two business-office staff were assigned incompatible duties related to the Department's processing of revenues.

- Two employees who were responsible for completing the monthly reconciliations of front-office license and registration sales and other activity, and external-agent remittances, also had access authority to enter cash and check receipt transactions into the cash register, and access authority to record transactions in the applicable licensing and registration databases.
- Two employees who were responsible for entering revenue transactions into the cash register also had access authority to modify records in the licensing and registration databases, even though access to those systems is not required for their normal job responsibilities.

The segregation of duties weakness was further exacerbated by the lack of sufficient reconciliation procedures over sales revenue collected at the Department's front-office, as discussed in Observation No. 6.

Recommendation:

The Department should review its assignment of staff responsibilities and establish appropriate segregation of duties controls over incompatible front and business-office functions including responsibilities for initiating and processing cash register transactions, recording information to applicable licensing and registration databases, and performing monthly reconciliation of those databases to the sales records.

If the Department determines that appropriate segregation of duties cannot be effectively achieved, the Department should implement mitigating controls to lessen the increased risk of occurrence of undetected errors and or frauds arising from the conflicting responsibilities.

Auditee Response:

We concur

Licensing/OHRV Registration is a small section within the Business Division which covers multiple responsibilities, including daily customer service at both the front counter and phones; there **must** be cross training to ensure proper coverage for our customers. Duties are currently segregated to the best of our ability.

As discussed in the response to Observation No. 6, The Department has established formal policies and procedures to ensure the front office reconciliation is done in a consistent manner while adding another level of review and approval. The Department's management is satisfied that there are adequate controls in place.

Observation No. 6: Improve Front Office Sales Reconciliation Process

Observation:

The Fish and Game Department (Department) has not developed and implemented a suitably designed and well controlled front office sales reconciliation procedure. Front office sales include the sales of hunting and fishing licenses and snowmobile and off-highway recreational vehicle registrations. Effective reconciliations are important controls to help ensure that financial activity is accurately recorded.

In response to a comment from the report on our internal control review of the State's off-highway recreational vehicle registration program, dated November 2012, the Department instituted a monthly procedure to reconcile sales revenue information contained in the Department's front-office cash register system, online sales system, and registration database.

Testing of five monthly reconciliations prepared by the Department revealed the following concerns with the reconciliation process:

1. The Department has not established formal, documented policies and procedures to support its reconciliation process.
2. The Department's approach to the reconciliations was not consistent and changed from month to month.
3. Three of the five monthly reconciliations reviewed included unexplained reconciling items. While the unexplained items were relatively small in amount, there was no evidence the Department evaluated the cause of the unexplained amounts.
4. As noted in Observation No. 5, the employee responsible for performing the monthly reconciliation also has access to both the cash register system and the registration database, which is incompatible with the employee's reconciliation responsibilities.
5. The monthly reconciliation procedures do not include a review and approval control.

Continued weaknesses in the Department's revenue reconciliation procedures, especially the lack of an effective review and approval control, increases the risk that errors or frauds that have occurred in the revenue process will not be detected and corrected in the normal course of business. This risk is exacerbated by the improper segregation of front-office and business-office duties, as described in Observation No. 5.

Recommendation:

The Department should develop and implement a suitably designed and well controlled front office sales reconciliation procedure supported by formal policies and procedures that provides for the consistent reconciliation of sales revenue information contained in the Department's front-office cash register system, online sales system, and internal databases used for licenses and registrations. Significant differences identified by the reconciliations should be investigated and corrected timely to ensure the accuracy, completeness, and relevance of financial activity.

The reconciliations should be performed by an individual who is not involved in entering cash and check receipt transactions into the cash register or the internal databases and should be subject to a separate and effective review and approval function at the appropriate level of management.

Auditee Response:

We concur

The Department has established formal policies and procedures to ensure the front office reconciliation is done in a consistent manner and has added another level of review and approval.

Observation No. 7: Expand Controls And Establish Formal Policies And Procedures For Reconciliation Of Registration Revenues

Observation:

The Department's process for reconciling snowmobile and off-highway recreational vehicles (OHRV) registration fees, while effective to determine that all fees collected have been deposited, is not effective in determining that all fees due have been collected.

The Department maintains a database information system to track OHRV and snowmobile registration information. As a control over registration fees collected by the Department, the Department reconciles the registration fees collected as recorded in the Department's information system to the registration revenues recorded in the State accounting system, NHFirst; however, the Department does not reconcile the fees due from registrations issued as recorded in the database to the fees collected, to ensure that fees for all registrations issued are collected.

In accordance with statute, the Department distributes a portion of the OHRV and snowmobile registration fees to the Department Of Natural And Cultural Resources (DNCR). During fiscal year 2018, the Department collected \$5.3 million of registration fees and distributed \$3.5 million of those fees to the DNCR through quarterly payments.

To determine the quarterly distribution amount, the Department runs a report, referred to as the bucket report, from its OHRV and snowmobile registration information system. The bucket report compiles registrations issued by registration type and associated fee, indicating collected amounts to be distributed, and amounts, not yet collected from the Department's agents, to be included in the subsequent quarter distribution.

A review of the four quarterly bucket reports during fiscal year 2018 indicated an unexplained difference of approximately \$65,000 (1.2%) between the fee amounts for registrations issued across the four bucket reports and amounts collected as reported in the State accounting system, NHFirst (the bucket reports indicated less fees were due than NHFirst reported as fees collected). The Department was unaware of the difference as its control processes do not normally include comparing the expected fees to be collected from the registrations issued as recorded in the database, and as reported on the bucket report, to the actual amount of fees collected, to ensure that fees for all issued registrations are ultimately collected.

Recommendation:

The Department should add control activities for the collection of registration fees that include a reconciliation of the fees expected to be collected from issued registrations to the actual amount of fees collected, to monitor and ensure that fees due to the Department are ultimately collected. As part of this effort, the Department should establish appropriate policies and procedures that sufficiently describe and support the information systems used to record the activity, and the reports, such as the bucket report, that are used to report the activity and provide the basis for Department actions.

Auditee Response:

We concur in part

The bucket report is solely used for the purpose of calculating the amount of registrations sold; the amount of money received for the registrations, and of that money received, how much money is to be transferred to DNCR. In order to properly account for late payments, corrections, etc., the bucket is an ongoing calculation. Therefore, any closed agent balances would be included and reflected in the monies received calculation.

The Department has historically not used the bucket process/report to reconcile monies due to the Department or provide any basis for Department actions, other than how much money is to be transferred to DNCR for the quarter. The Department reconciles each registration agent's account to ensure that monies are received for registrations sold.

The Department will create better documentation to describe the information used in the bucket report.

LBA Rejoinder:

As the Department's bucket process/report is used to determine the amount of monies to transfer to the DNCR, the process should include a reconciliation to ensure that the revenues to be distributed by the process/report reconciles to the actual revenues the Department collects from the sales of registrations.

Observation No. 8: Establish Process To Control Sale Of Reduced-Fee Registrations

Observation:

The Fish and Game Department (Department) has not established a process, supported by policies and procedures, to ensure snowmobile and off-highway recreational vehicle (OHRV) registrations that are processed at a reduced fee due to the owner's membership in a qualified OHRV or snowmobile club are appropriately processed and that all required fees are remitted to the Department by the registration agents.

In accordance with RSA 215-A:21, X, RSA 215-A:23, I and III, and RSA 215-C:39, I and III, the Department allows a \$30 reduction of OHRV and snowmobile registration fees to machine owners who are members of organized clubs affiliated with either the New Hampshire Off Highway Vehicle Association (NHOVA) or the New Hampshire Snowmobile Association (NHSA).

The Department reports that it requires owners wishing to purchase registrations at club-member rates to provide proof of club membership at the time of registration, in the form of a membership ID and NHOVA or NHSA voucher. However, the Department does not have a process to allow it to independently prove an owner's club membership, making it difficult for the Department to establish that its registration agents are appropriately issuing the registration discounts and accurately remitting registration fees.

During fiscal year 2018, approximately 80% of all OHRV and snowmobile registrations issued were sold at the lower club-member rate, representing approximately \$2.0 million in allowed discounts.

Because the Department is not able to independently determine whether reduced-fee registrations are being appropriately and accurately processed, the Department is at risk that reduced-fee registrations will be inappropriately issued to ineligible individuals and that registrations sold at full price by an agent may be remitted to the Department as a registration sold at a reduced-fee rate.

Recommendation:

The Department should establish a process, supported by policies and procedures, to improve controls over the sale of reduced-fee OHRV and snowmobile registrations to members of NHOVA and NHSA clubs. The controls should reasonably ensure that only club members are allowed to register machines at the discount rate and that all registration fees due the Department are appropriately collected.

The Department should review with the NHOVA and the NHSA whether opportunities exist to share membership information that could be used by the Department in a process to verify, on a test or other basis, agent reporting of reduced-fee registrations. Pending the availability of better information, the Department should consider periodically analyzing agent-submitted registration information to reasonably ensure agents are processing reduced-fee snowmobile and OHRV registrations in a manner that appears consistent with peer agents to help ensure all registration fees due the Department are submitted to the Department.

If necessary, the Department should consider requesting a change in legislation, or adopting rules requiring the cooperation of the associations and clubs to allow their club members to receive discounted registrations.

Auditee Response:

We concur

The Department understands the LBA's recommendation, but we are limited in our authority to take any action and are asking for direction from the Legislature.

Observation No. 9: Expand Risk Assessment Activities To Include Consideration Of Service Organization Control Reports

Observation:

The Fish and Game Department (Department) has not evaluated and considered the design and operating effectiveness of a key service organization's controls, including whether the service organization controls significantly impact the Department's internal control systems.

Since July 2013, the Department has contracted with a service organization for the provision of online sales systems for licenses and registrations. The service organization provides the online platform, including website and programming, that allows sportsmen and license agents to process licenses online and snowmobile and off-highway recreational vehicle (OHRV) registration agents to process registrations online. The service organization's system provides the Department with daily sales activity that is transferred daily to the Department's license and registration information systems. The Department regularly reconciles each individual agent's sales activity, as reported by the service organization's system, to the sales activity recorded in

the Department's information systems to help ensure the completeness of the daily transfers between service organization and Department systems.

While the Department has outsourced significant aspects of its licensing and registration processing with this contract, it has not undertaken an effort to review the controls the service organization has designed, implemented, and operated to sufficiently understand how the service organization's internal control system impacts the Department's internal control system. Typically, service organizations have service organization control (SOC) reports prepared to provide user organizations, such as the Department, with information on the design and operating effectiveness of the service organization's controls that allow the user organization to judge the impact on the user organization's internal control systems.

In response to an inquiry regarding the availability of a SOC report, the Department was provided with a SOC report applicable to data center services (e.g. power, cooling, physical security, and network connectivity) used by the service organization. There was no report made available that covered the system development, hosting, and maintenance services provided directly to the Department by the service organization.

Recommendation:

The Department should include consideration of controls in place at its service organization in its risk assessment activities. The Department should request, obtain, and review available SOC reports relevant to the Department's operations in order to evaluate and address the risks associated with outsourced services. The review should be documented and include identification of complementary user controls relevant to the Department's internal control and regular determination of whether those controls are in place and operating effectively.

If applicable SOC reports are not available, the Department should take appropriate steps to understand the operational and financial risks resulting from the service organization's involvement in the Department's business operations and the controls that are or can be placed in operation at the Department to mitigate those risks.

Auditee Response:

We concur

The Department has requested the service organization to prepare a SOC report that will cover system development controls, hosting and maintenance services provided to the Department. This report will be prepared in fiscal year 2020 after the new contract becomes effective. Upon receipt of SOC report the Department will conduct a review to evaluate and document user controls

Observation No. 10: Implement Procedures For Accrual Of Registration Revenue At Fiscal-Year End

Observation:

The Fish and Game Department (Department) does not accrue revenues related to the registration of off-highway recreational vehicles (OHRV) and snowmobiles at fiscal-year end in accordance with the State's revenue recognition policies and procedures.

While the Department typically accrues license revenues at fiscal-year end, the Department typically does not accrue accounts receivable for outstanding OHRV and snowmobile registration revenues, reportedly, due to uncertainty as to how to account for and report the portion of the accrued registration revenue that would be allocable to the Department of Natural and Cultural Resources.

By not accruing accounts receivable for registration revenues outstanding at June 30, 2018, the Department understated fiscal year 2018 registration revenues by approximately \$144,000. Based on the observed fiscal year 2018 allocations of registration revenues, a corresponding liability of \$96,000 should also have been accrued at June 30, 2018 to reflect the portion of the accounts receivable amount that would be due to the Department of Natural and Cultural Resources.

Recommendation:

The Department should implement procedures to ensure all revenue accounts subject to accrual are identified and revenues and accounts receivable are recorded in the proper fiscal year.

The Department should confer with the Department of Administrative Services as to the Department's responsibility for accruing accounts in compliance with State policies and procedures and whether those policies and procedures allow the Department the option to not record and report accruals because of understood immateriality or for other reasons.

Auditee Response:

We concur

The Department did reach out to the Department of Administrative Services to inquire if there was any monetary threshold for establishing an accounts receivable at the end of any given fiscal year. While DAS could not provide an answer to the question of monetary threshold, they did indicate there was a state policy that all accounts receivable shall be established at fiscal year-end. Beginning with state fiscal year 2019, the Department will follow the same procedures followed for establishing other accounts receivable and establish an accounts receivable of OHRV revenues.

Observation No. 11: Obtain Support For Fish And Game Fund Revenues Collected By The Department Of Safety

Observation:

The Fish and Game Department (Department) does not have policies and procedures in place to ensure that all revenues initially collected by the Department of Safety and subsequently distributed to the Fish and Game Fund are proper in amount and calculated appropriately in accordance with applicable statutes.

The Department of Safety collects boat registration fees in accordance with the following statutes, and subsequently distributes the revenue to the Fish and Game Fund, as prescribed in statute.

1. RSA 206:42: \$1 fee for each private boat registration collected under RSA 270-E:5. Approximately \$94,000 was distributed to the Fish and Game Fund during fiscal year 2018.
2. RSA 233-A:13: \$5 surcharge for each boat registration for commercial, private, and pleasure vessels, including rentals and airboats. Approximately \$475,000 was distributed to the Fish and Game Fund during fiscal year 2018.
3. RSA 261:97-b: Annually on August 1, the Fish and Game Fund receives 20% of the remainder of funds in the conservation number plate fund, following statutorily set distributions to the Department of Transportation and the Department of Natural and Cultural Resources, as described in RSA 261:97-b. Approximately \$336,000 was distributed to the Fish and Game Fund during fiscal year 2018.

The Business Division does not regularly receive or request support for the revenue amounts the Department of Safety distributes to the Fish and Game Fund. As a result, the Department is at increased risk that errors or other irregularities in the amounts distributed may not be detected and corrected in the normal course of business.

While Department management is not responsible for the Department of Safety's processes, the Department is responsible to have controls that reasonably ensure revenue collected on its behalf, either by other State agencies or by the Department's licensing agents, is complete and accurate.

Recommendation:

The Department should implement policies and procedures for the Business Division to obtain and review evidence supporting the revenues distributed to the Fish and Game Fund by the Department of Safety.

The Department should review evidence supporting the revenues posted to its accounts by the Department of Safety to ensure the amounts have been calculated in accordance with applicable statutes, and all amounts due to the Fish and Game Fund have been received and accurately recorded.

Auditee Response:

We concur

We have reached out to the Business Administrator at the Department of Safety to determine what reporting mechanisms are in place to be able to make a determination if this information will satisfy the needs of reconciliation. Discussions are ongoing.

Observation No. 12: Formalize Policies And Procedures For Allocating Administrative Costs To The Dedicated Funds

Observation:

The Department has not formally documented its process for allocating a portion of its administrative costs to, and for collecting an “overhead charge” to recover those administrative costs from the dedicated funds maintained by the Department. The Department has not documented the determination of the reasonableness of the 10% overhead charge rate or the determination of which funds are subject to and exempt from the charge.

During fiscal year 2018, the Department accounted for 15 statutorily-dedicated funds within the Fish and Game Fund and the Treasury accounted for one related statutorily-dedicated fund (Lifetime License Fund) outside of the Fish and Game Fund.

At the end of each fiscal year, the Department charges and recovers a portion of its administrative costs from those dedicated funds that the Department has determined, pursuant to a statutory review, allow for an administrative cost charge. During fiscal year 2018, the Department charged certain dedicated funds a 10% administrative charge of the fund’s non-federal revenue. The Department reports the 10% charge rate was established approximately four years ago, based on the Executive Director’s experience with nonprofits. During fiscal year 2018, the Department charged eight dedicated funds a combined total of \$287,100 while the Department did not charge the other eight funds. The Department records the amount charged to the dedicated funds as unrestricted Fish and Game Fund revenue.

The lack of formal policies and procedures increases the risk of inconsistent or unintended application of the administrative costs charged to the dedicated funds and the risk that the basis and process for allocating the costs will reside with the employees performing the allocation, further increasing the risk to the continuity of the process over time.

Recommendation:

The Department should formally establish and document policies and procedures for charging administrative costs to the Department’s dedicated funds.

The Department should review and document its basis for determining the administrative charge rate applied to the dedicated funds. The charge rate should reasonably reflect the Department's costs to administer those funds.

The Department should review and document its basis for determining which funds should be charged administrative costs and which funds should not be charged.

Auditee Response:

We concur

The Department will establish formal policies and procedures for charging administrative costs to the Department's dedicated funds to include which funds are and are not charged the administrative cost and the methodology used to determine the charge. These formal policies and procedures will be in place for the fiscal year 2019 administrative charge.

Observation No. 13: Strengthen Accounts Payable Controls

Observation:

The Fish and Game Department (Department) did not consistently adhere to the State's expenditure recognition policy when the Department accrued its June 30, 2017 accounts payable balance. Audit testing identified the Department incorrectly reported certain fiscal year 2018 expenditures as fiscal year 2017 expenditures and as accrued accounts payable at June 30, 2017.

The State's policy is to recognize and record expenditures and related accounts payable in the accounting period in which the goods or services are received.

Testing of Department expenditures identified the following errors in the Department's accrual of June 30, 2017 accounts payable, as the related goods or services were not received and thus the liability for payment was not incurred until fiscal year 2018:

1. Three June 2017 vendor invoices totaling \$42,156 for the Department's purchase of fish food were incorrectly included in the Department's June 30, 2017 accounts payable balance even though the Department did not receive the delivery of the fish food until fiscal year 2018. According to the Department, its practice has been to use the invoice date and not the date goods or services are received when accruing accounts payable.
2. One transaction for the payment of organizational dues in the amount of \$26,689 was incorrectly included in the Department's June 30, 2017 accounts payable balance even though the organizational dues related to fiscal year 2018. According to the Department it has been its practice to record organizational dues in this manner.

The cause of the Department's errors in recording expenditures appears to be a lack of appropriate Department policies and procedures and training in the State's policies and procedures when processing payments near fiscal year end. While the Department relied upon

invoice date when considering the need to accrue accounts payable, the Department did not review the transaction to ensure the invoice date reflected the completion or delivery date of the underlying service or product received in the transaction.

Recommendation:

The Fish and Game Department should establish policies and procedures, consistent with the State's policies and procedures, for the recognition of expenditures and the recording of accounts payable. The Department should train staff responsible for the recording of expenditures to ensure that expenditures and accounts payable are accurately and consistently reported.

Auditee Response:

We concur

The Department recognizes the error made in processing the invoices noted in 1) of this observation. The Department has a policy of using the invoice date when processing invoices in NHFIRST, the State of New Hampshire's financial system. The three invoices cited in this observation actually have three dates printed on the invoice; the order date, invoice date, and delivery date. In all three instances, the order date and invoice date were June 30 or prior, but the delivery date was in July, resulting in the fish food being received in the next fiscal year. It is crucial the Department continues using the invoice date, especially during fiscal year end processes, but we will be cognizant of these particular invoices paying close attention to the delivery date. If the delivery date is in fact July 1 or after, the invoice date will manually be altered accordingly by the individual processing the invoice and audited and approved by the Business Division Chief.

The annual dues referenced in part 2) of this observation are dues paid every year, hence annual dues. While the dues invoice is dated several months prior to the actual payment being made, this observation is again based on the date of the invoice. For payment of this dues invoice, we will manually change the date to July 1 by the individual processing the invoice and audited and approved by the Business Division Chief.

Observation No. 14: Review And Monitor Workers' Compensation Payments

Observation:

The Fish and Game Department (Department) did not have a process for reviewing workers' compensation expenditures charged by the Department of Administrative Services (DAS) to the Fish and Game Fund during fiscal year 2018.

Monthly, DAS processes workers' compensation payments on behalf of State agencies and records the expenditures in the respective agency's funds and accounts in the State accounting system, NHFirst. The Department neither received nor requested support from DAS for the

approximately \$232,000 of workers' compensation expenditures charged to Fish and Game Fund accounts during fiscal year 2018.

A review of documentation requested from DAS supporting two tested expenditures revealed the Fish and Game Fund was charged for workers' compensation services provided to a search and rescue volunteer that, pursuant to RSA 281-A:2, VII(a)(5), should have been charged to the State's General Fund. Upon inquiry, the Department reviewed its fiscal year 2018 workers' compensation charges for like-cases and identified a total of approximately \$2,900 of charges to the Fish and Game Fund that should instead have been charged to the General Fund. The Department requested DAS correct the charges to the Fish and Game Fund.

Recommendation:

The Department should develop a process supported by policies and procedures for reviewing and monitoring workers' compensation charges recorded in the Fish and Game Fund's accounts. The Department should regularly request and review sufficient support for the charges to reasonably ensure that charges posted to the Fish and Game Fund's accounts are accurate.

Auditee Response:

We concur

Upon realizing that the Department had not received documentation to support the workers' compensation charges that were posted, the supporting documentation was requested from the Department of Administrative Services and reviewed. We have requested that the Department continue to receive the supporting documentation from the Department of Administrative Services in order to review it for accuracy. The process moving forward is such that the Department will continue to ensure it receives the monthly supporting documentation and will continue to review it for accuracy. Should the Department not receive the supporting documentation, the Department of Administrative Services will be contacted for a copy of such documentation.

Observation No. 15: Review Invoice Amounts For Adherence To Contract Terms

Observation:

The Department's process for approving contract invoices for payment did not consistently ensure invoices complied with contract terms prior to the Department's payment on the invoice.

Two expenditure test items out of a random sample of 45 general expenditures involved payments on contracted services that were not in compliance with contract terms. In both instances the payments were reviewed and approved at the division and business office levels, but neither the division nor the business office recognized the noncompliance. In one instance, services were provided by contractor employees/sub-contractors that were not listed in the contract, and, in the other instance, the contractor invoiced the Department at a rate less than the

contracted rate. While neither instance noted in the test appears significant to the Department's operations, ineffective contract monitoring can prove to be a significant risk.

Recommendation:

The Department should strengthen its contract monitoring controls and processes, to ensure that invoices are effectively reviewed for contract compliance prior to payment.

The Department should consider preparing summaries of contract payment criteria to promote regular review of contract payment terms by employees responsible for approving contract payments.

Auditee Response:

We concur

Payments for contracted services are approved at the Division Chief level, in most cases they are also approved by the Program Supervisor prior to Division Chief's review. From this point forward, this review will ensure the payment being requested is within the contract terms. Management has determined it will be the responsibility of the applicable division to create a summary of contract payment criteria relative to their contract oversight.

Observation No. 16: Strengthen Controls Over Ammunition Inventory

Observation:

The Fish and Game Department's (Department) controls over the storage and issuance of ammunition do not ensure that access to stored ammunition is appropriately restricted, removal of ammunition from the inventory storage is authorized, and changes in the inventory levels are accurately reported.

The Department stores its ammunition inventory in a locked room along with inventories of unissued uniforms, equipment, and other law enforcement supplies. Auditors' concerns with the security controls over the inventory include the following:

1. The Department reports that many employees have access to the storage room, and because the ammunition is not stored in a locked cabinet, anyone with access to the storage room has access to the ammunition inventory.
2. There is no prior authorization required for ammunition to be removed from the storage room.
3. There is no logging of ammunition when it is removed from the inventory. While a responsible employee is to be notified when ammunition is removed, and that employee lists the issuance on a monthly materials issued report, the notice of the issuance may occur after the fact and is often verbal.

4. An example of a monthly materials issued report reviewed during the audit indicated that over 1,600 rounds of various types of ammunition were removed from the inventory by one officer on one day. The materials issued form has no provision to document the intended use of the withdrawn inventory and, while the form identified the officer who obtained the ammunition, there was no signature or other evidence of that officer having taken possession of the ammunition. According to Department personnel, the ammunition was used for firearms training.

The maintenance of significant ammunition inventories is a necessary, yet risk-prone activity for law enforcement agencies. As such, appropriate controls should be in place to ensure that the agency's risks in the storage, issuance, use, and replenishment of the inventories is sufficiently controlled to appropriately lessen those risks.

Recommendation:

The Department should strengthen its controls over its high-risk inventories to lessen and otherwise manage the risks inherent in maintaining those inventories by:

1. Reviewing the feasibility of further securing the ammunition inventory in a locked cabinet, cage, or other location that would reduce the risk of unauthorized access to the inventory storage,
2. Requiring documented authorization prior to the removal of ammunition from the inventory storage,
3. Logging all issuances of inventory at the point the ammunition is removed from the inventory storage, and
4. Improving the monthly reporting of the issuance of ammunition taken from the inventory, to include information on why the inventory was issued and how it was to be used.

Auditee Response:

We concur

Currently only six Law Enforcement personnel have access to ammunition inventory. The Department does certainly recognize the importance of maintaining strict controls over this type of inventory.

Efforts are being made to build a locked cabinet to secure the ammunition by adding a locked door to the shelving that already exists. The keys will only be distributed to the four administrative officers here at Headquarters.

We are also in the process of creating a second ammunition log that incorporates the name of the officer, date, how many rounds were taken and the reason for which it is taken which will require the officer to sign for said ammunition. This log will also serve as the monthly reporting to our business division.

Observation No. 17: Establish Policies And Procedures For Reconciliations Of Asset Purchases

Observation:

The Fish and Game Department (Department) does not routinely reconcile purchases recorded in certain of its internal information systems to purchases/expenditures reported in the State's accounting system, NHFirst.

The Department maintains several information systems, primarily databases, to account for consumable inventory, equipment, and real property assets. The Department regularly posts additions to assets accounted for in the databases to reflect purchases of those assets processed through NHFirst. However, the Department does not routinely reconcile the recorded asset additions in the databases to purchases reported in NHFirst. For the year ended June 30, 2018, the Department reported purchases of approximately \$328,000 of consumable inventory, \$215,000 of equipment, and \$3.2 million of real property to the Department of Administrative Services as part of the State's fiscal year closing process.

Reconciliations of information systems is a standard control activity to ensure that information available in systems is consistent and accurate. The accurate and complete recording of additions to asset inventory records from purchases is critical for inventory control and reporting purposes. The Department expressed that the need for a reconciliation of purchases recorded in the databases and in NHFirst was not initially apparent, as the Department has procedures to otherwise account for all inventory and capital asset activity required for year-end financial reporting.

Recommendation:

The Department should establish policies and procedures for the periodic reconciliation of its internal databases used for consumable inventory, equipment, and real property to similar information in NHFirst, to reasonably ensure that information in the systems is consistent where appropriate and remains accurate and current. Differences identified in the reconciliations should be appropriately resolved in a timely manner.

Auditee Response:

We concur in part

While the Department recognizes the implied importance of reconciling the transactions contained within NHFIRST to our internal databases, the Department does not feel this extra step of reconciliation is warranted given the limited personnel resources and the other processes we have in place for Department purchases.

Observation No. 18: Segregate Incompatible Duties In The Equipment Process And Review Access To Information System

Observation:

The Fish and Game Department's (Department) preparation and maintenance of certain fleet management records and reports is not subject to an effective review and approval control and access to make changes to the related information system, an internal database used to account for equipment, is also not suitably controlled.

According to the Department, one key employee had responsibilities to approve fleet inventory data in the State's fleet database (FIMS), subsequently provide that data for entry into the Department's internal database used to account for equipment, and then also review and approve monthly and yearly inventory reports generated by the equipment database. In addition, the Department reported that five employees have access authority to post changes to the internal equipment database, without an effective review and approval control.

Weak transaction entry and review and approval controls increase the risk that information contained in the Department's equipment database may not be reliable.

Recommendation:

The Department should review, and reassign as appropriate, the responsibilities for entering data into the internal equipment database and reviewing and approving reports drawn from the database to ensure that an appropriate segregation of duties exists between the data input and review and approval control responsibilities.

Additionally, the Department should review the access authorities of employees authorized to make changes to the internal equipment database to ensure that the authority to change data in the system is appropriately restricted and controlled.

Auditee Response:

We concur

The Department has already taken steps to change the roles of key individuals mentioned in this finding. The role of entering data into the State's system (FIMS) by the same individual approving the monthly reports has been changed. The role of data entry will now be conducted by the Administrative Secretary within the Business Division and the Division Chief will approve the monthly reports as has always been the practice.

The Business Division Chief's access to the Department's internal equipment database has been changed to read-only eliminating the ability to make changes within the database and subsequently sign off on monthly reporting.

State Compliance Comments

Observation No. 19: File Financial Disclosures In Accordance With RSA 15-A

Observation:

During fiscal year 2018, certain officials associated with the Fish and Game Department (Department) were not in compliance with RSA 15-A, as they did not have current Statements of Financial Interests on file with the Secretary of State. Filed Statements of Financial Interests are available for review on the Secretary of State's website. Additionally, the Department's list of individuals required to file Statements of Financial Interests was not current.

- RSA 15-A:3, I, (c) and (d) requires the Department's Executive Director, as the agency head, and the 11 Fish and Game Commission members (Commissioners), as appointees, to file annual Statements of Financial Interests.
- RSA 15-A:3, I, (e) further specifies required filers include any public official designated to file by the agency head. A review of the list of required filers, available on the Secretary of State's website, listed five Department employees designated to file Statements of Financial Interests for calendar year 2018.

According to RSA 15-A:6, the deadline for filing Statements of Financial Interests was no later than the third Friday in January, or January 19th for calendar year 2018.

A review of the 2018 Statements of Financial Interests identified on the Secretary of State's website as having been filed revealed the following:

1. Two of the 11 Fish and Game Commissioners did not have a 2018 Statement of Financial Interests on file with the Secretary of State, as of December 17, 2018. While one of the two Commissioners had previously filed Statements of Financial Interests during the previous calendar year, the other Commissioner was not listed as having filed in either 2018 or in 2017.
2. One former Fish and Game Commissioner, who was on the Commission for a portion of fiscal year 2018, was not listed as having filed a 2018 Statement of Financial Interests. A review of filings on the Secretary of State's website indicated the Commissioner had filed a Statement of Financial Interests in January of 2017.
3. The list of the Department's required filers for 2018 was not current. One Department employee, included on the Secretary of State's list of required filers, did not have a 2018 Statement of Financial Interests on file with the Secretary of State, as of December 17, 2018. A review of the Secretary of State's website indicated the employee had last filed a Statement of Financial Interests in January of 2017. The Department reported that this employee should not be included on the listing, as the Department's Executive Director had not identified the employee as a designated filer. In addition, three former Department employees, not employed by the Department during 2018, were also included on the 2018 list of required filers.

Allowing officials who have not filed statutorily-required statements to participate in Commission and Department business increases the risk that actions taken by the Department or Commission can be challenged.

Recommendation:

The Department should continue with its efforts to prompt the Fish and Game Commission members to file the statutorily-required Statements of Financial Interest in compliance with statute. The Department should regularly remind the Commission of the potential consequences of allowing non-filers to participate in Commission decisions.

The Department should review and revise as appropriate its list of employees required to file Statements of Financial Interests. The Department should establish policies and procedures to regularly review and maintain the list to ensure the list reported to the Secretary of State's office is current, complete, and as intended.

Auditee Response:

We concur

The Department has in the past and will continue to stress the importance of financial filing disclosures with the Secretary of State's Office.

Observation No. 20: Forward Gifts And Donations Exceeding \$2,500 To Governor And Council For Approval As Required By RSA 206:33-a

Observation

The Fish and Game Department (Department) did not consistently submit its acceptance of non-monetary donations in excess of \$2,500 to Governor and Council for final approval during fiscal year 2018, contrary to statute.

RSA 206:33-a Gifts and Donations; Account Established states:

I. Notwithstanding any other provision of law to the contrary, individual gifts and donations not exceeding \$2,500 in value in a year may be received by the fish and game department with the consent of the commission and without the approval of the governor or the governor and council. Individual gifts and donations exceeding \$2,500 in value in a year may be received by the fish and game department with the consent of the commission and with the approval of the governor and council.

A review of fiscal year 2018 Fish and Game Commission (Commission) meeting minutes identified six instances in which the Commission accepted donations with values that exceeded or appeared to exceed \$2,500. Of the six identified donations, the acceptance of two donations, a monetary donation of approximately \$339,000, and a donation of snowmobiles valued at

approximately \$13,000, were brought forward to Governor and Council for approval. The Department did not submit the acceptance of the other four donations to the Governor and Council for approval, as described below.

- Two donations of materials and services, with a combined value of approximately \$8,500, were accepted by the Commission at its December 2017 meeting. The Department reported that because the donations of the materials and services were solicited and obtained by Commissioners and not the Department or its employees, the Department did not deem it necessary to forward the acceptance to Governor and Council for approval.
- The donations of a 15.6-acre land parcel and two salt-marsh parcels were accepted by the Commission at its August 2017 and December 2017 meetings, respectively. While these donations did not have an assessed value listed in the Commission meeting minutes, given that the donation consisted of real property, it is likely that the value of the donations exceeded the \$2,500 threshold necessitating Governor and Council approval.

Failing to obtain Governor and Council approval for the acceptance of donations in excess of \$2,500 is contrary to RSA 206:33-a, and increases the risk that actions related to the acceptance of the donation may be regarded as incomplete and the Department's and State's claim to, and responsibility for, the donated assets could be open to challenge.

Recommendation:

The Fish and Game Department should implement policies and procedures to promote compliance with the provisions of RSA 206:33-a, I, and ensure its acceptance of all gifts and donations in excess of \$2,500 are forwarded to Governor and Council for approval, as statutorily required.

The policies and procedures should address the Department's process for accepting donations without an accompanying valuation. Policies and procedures should include documentation of the Department's determination of a value both for consideration of whether the value of the donation exceeds the \$2,500 threshold necessitating Governor and Council approval and also to properly report the donation in the Department's and State's asset records.

Auditee Response:

We concur in part

For the first instance of the donations of materials and services solicited and obtained by the Commissioners, after discussions with the auditors, we agree this donation should have been brought to Governor and Council for approval.

For the second instances of land donations, although there was no monetary value associated with the 15.6 acres donated, this was an oversight on the part of management and this should have been brought forward for Governor and Council approval, not as a donation but as an approval for the agency to acquire property. The transfer of this parcel to Fish and Game was a requirement by the town of the property owner to get the permits needed to develop the

remainder of his property. Possibly the donation of two salt-marsh parcels should also have been brought to Governor and Council for the same reason as above, but not because of value. This marsh surface was a gift but is without value; it is non-buildable salt-marsh without any access to dry land.

We have reached out to the Department of Administrative Services to assist us with determining the valuation process of real properties so we can be in compliance with State law.

LBA Clarification:

All land acquired by the Department, regardless of its description, nature, or the manner by which it was acquired has a value that should be considered when the Department reports donations in compliance with RSA 206:33-a, I, and when it maintains and reports the Department's real property records.

Observation No. 21: File Statutorily-Required Reports

Observation:

The Fish and Game Department (Department) did not file a certain statutorily-required report with the Fiscal Committee of the General Court.

The Wildlife Heritage Foundation is the official nonprofit partner of the Department. RSA 206:33-c allows the Department to enter into agreements with nonprofit entities for the purpose of accepting gifts, grants, bequests, and donations to further Department goals. RSA 206:33-e, III requires the Department to submit an annual report to the Fiscal Committee of the General Court and the policy committees responsible for wildlife issues in the senate and house of representatives, identifying funds received and expended by the Wildlife Heritage Foundation, and projects supported by the Foundation during the year.

While the Wildlife Heritage Foundation 2018 annual report appears to have been appropriately filed with the respective policy committees in the senate and house of representatives, the report was not submitted to the Fiscal Committee. The Department reported that program staff responsible for the submission of the report were unaware of the statutory requirement to file the report with the Fiscal Committee.

Recommendation:

The Fish and Game Department should implement policies and procedures to ensure all statutorily-required reports are filed with the appropriate parties.

Auditee Response:

We concur

Not submitting this report to the Fiscal Committee was an oversight. From this point forward, the report will be submitted to the Fiscal Committee annually per RSA 206:33-e III.

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APPENDIX

Current Status Of Prior Audit Findings

The following is the December 21, 2018 status of the observations related to the Fish and Game Fund contained in the report titled State of New Hampshire, Fish and Game Department, Off Highway Recreational Vehicle Registration Program, Internal Control Over Revenue, dated November 2012. That report can be accessed at, and printed from, the Office of Legislative Budget Assistant website:

http://www.gencourt.state.nh.us/LBA/AuditReports/FinancialReports/pdf/FG_OHRV_2012.pdf

	<u>Status</u>	
Internal Control Comments		
<i>Significant Deficiencies</i>		
1. Registration Process Should Be Made More Controlled And Efficient <i>Review registration process with the intention of making the process more controlled and efficient for the Department, its agents, and its customers and review the use of an on-line registration process.</i>	●	○
2. Controls Over Inventory Of Registration Decals Should Be Improved <i>Implement policies and procedures for logging registration decals, record all registration decal activity in the OHRV database, improve segregation of duties controls over the custody of registration decals, restrict access to OHRV decal inventories, enforce the policy requiring agents to return a signed copy of the decal issuance document or eliminate the policy.</i>	●	●
3. Accountability Over The Department's Sale Of Registrations Should Be Improved <i>Design and implement controls to improve accountability over sales transactions recorded in the point of sale system and the inventory of unsold decals maintained in the sales office.</i>	●	●
4. Policies And Procedures For Revenue Reconciliations Should Be Established <i>Establish policies and procedures for timely and meaningful revenue reconciliations of information systems, prepare periodic reconciliations of financial activity in the point of sale system and OHRV database.</i>	●	○
5. Documentation Of Revenue Distribution Process Should Be Improved <i>Review process for determining and distributing OHRV registration revenues to ensure accurate and timely distributions, and establish policies and procedures that provide for a controlled and fully-documented process for allocating and distributing registration revenues to the appropriate agencies and accounts.</i>	●	○

- 6. Statutes And Forms Should Remain Current ● ●
Improve information sharing and communication controls, request timely revisions to statutes and ensure that forms include current statutory citations and guidance

- 7. Part-Time Employees Should Be Paid For Hours Worked Each Pay Period And Provided Only Authorized Benefits ● ●
Benefits, including the accrual and use of compensatory time, should not be provided to part-time employees unless permitted by statute, administrative rule, or other State policy. Ensure part-time employment policies and procedures comply with State personnel requirements.

- 8. Annual Job Performance Evaluations Should Be Prepared ● ○
Prepare annual job performance evaluations for employees in accordance with statute, administrative rules, executive order, and good internal control practice.

Status Key

			<u>Count</u>
Fully Resolved	●	●	4
Remediation In Process (Action Beyond Meeting And Discussion)	●	○	4
Unresolved	○	○	0