

Office of the State Auditor

Division of State Audit

NORTH DAKOTA GAME AND FISH DEPARTMENT Bismarck, North Dakota

Audit Report for the
Two-Year Period Ended June 30, 2008
Client Code 720

Robert R. Peterson
State Auditor



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Transmittal Letter

February 18, 2009

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Mr. Terry Steinwand, Director, North Dakota Game and Fish Department

We are pleased to submit this audit of the North Dakota Game and Fish Department for the two-year period ended June 30, 2008. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The senior auditor for this audit was Orlin Bensen, LPA. Kristi Morlock and Richard Fuher, CPA were the staff auditors. Fred Ehrhardt, CPA was the audit supervisor and Paul Welk, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2320. We wish to express our appreciation to Director Steinwand and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

The North Dakota Game and Fish Department is the principal governmental proponent of maintenance and perpetuation of fish and wildlife, and their habitats. It has the responsibility to recommend seasons, set and enforce regulations, and disseminate information about the state's fish and wildlife. The Department assists landowners with wildlife concerns, educates hunters and boaters about safety and sportsmen ethics, provides technical assistance to landowners to improve wildlife habitat, and works to ensure the availability of wildlife and fisheries for future generations.

RESPONSES TO LAFRC AUDIT QUESTIONS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the North Dakota Game and Fish Department in accordance with generally accepted accounting principles so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unqualified opinion was issued.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Other than our findings addressing "Fraud Risk Assessment" (page 15), and "General Ledger Approval" (page 16), we determined internal control was adequate.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

The North Dakota Game and Fish Department has implemented or is in the process of implementing all prior recommendations.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

Yes, a management letter was issued and is included on page 20 of this report, along with management's response.

LAFRC AUDIT COMMUNICATIONS

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The North Dakota Game and Fish Department's financial statements do not include any significant accounting estimates.

3. *Identify any significant audit adjustments.*

Significant audit adjustments were not necessary.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance, Human Resource Management System (HRMS), Cost Tracking and Integration System, Legacy Systems, and Online Services are high-risk information technology systems critical to the North Dakota Game and Fish Department.

Audit Objectives, Scope, And Methodology

Audit Objectives

The objectives of this audit of the North Dakota Game and Fish Department for the two-year period ended June 30, 2008 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the North Dakota Game and Fish Department's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the North Dakota Game and Fish Department and are they in compliance with these laws?
3. Are there areas of the North Dakota Game and Fish Department's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the North Dakota Game and Fish Department is for the two-year period ended June 30, 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The North Dakota Game and Fish Department has operations in the following locations. Each location will be included in the audit scope:

- Bismarck Office (Headquarters)
- Bismarck Game and Fish Lab
- Bismarck Game and Fish Shop
- Devils Lake Office
- Dickinson Office
- Jamestown Office
- Lonetree Office
- Riverdale Office
- Williston Office

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report

and developed a discussion and analysis of the financial statements.

- Performed detailed analytical procedures including computer assisted auditing techniques. These procedures were used to identify high risk transactions and potential problem areas for additional testing.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Nonstatistical sampling was used and the results were projected to the population. Further where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) ERP system.
- Observed North Dakota Game and Fish Department's processes and procedures.

In aggregate there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Discussion And Analysis

The accompanying financial statements have been prepared to present the North Dakota Game and Fish Department's revenues and expenditures on the legal (budget) basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

For the two-year period June 30, 2008, operations of the North Dakota Game and Fish Department were primarily supported by special revenue funds which are received mainly from the sale of hunting and fishing licenses. This is supplemented by federal funding which is raised primarily from the excise tax on hunting and fishing equipment.

FINANCIAL SUMMARY

The North Dakota Game and Fish Department had \$24 million in investments at June 30, 2008 compared to \$25 million as of June 30, 2007. The investments consist of certificates of deposit that are held at the Bank of North Dakota with interest ranging from 1.75% to 5.05% for the period under audit. The investments are short term in duration with slightly longer terms for the higher interest rate investments.

Capital Assets were \$30,019,513 at June 30, 2008. Capital assets increased by \$1,205,946 for fiscal year 2008 over the prior year mainly because of the purchase of land and motor vehicles.

Revenues consisted primarily of licenses and permits, federal funds, and interest income. Licenses and permits revenue increased by approximately \$1.7 million from fiscal year 2007 to fiscal year 2008 due to more licenses being sold for hunting, fishing, and boating. Federal revenue for fiscal year 2008 increased slightly by about \$400,000 due to more grants being received for the fish and wildlife restoration programs. Interest income decreased slightly by about \$35,000 from fiscal year 2007 to fiscal year 2008. Interest earned on the operating fund is transferred to the habitat and depredation fund in accordance with North Dakota Century Code Chapter 20.1-02. Other revenue during the audit period included various fines, taxes, sales of publications, donations, rents, and transfers in. Total revenues were \$26,527,706 for the year ended June 30, 2008 as compared to \$24,452,917 for the year ended June 30, 2007.

Major expenditures consist of salaries and benefits, rents/leases, grants, operating expenses, and travel. Total expenditures for the North Dakota Game and Fish Department were \$24,381,617 for the year ended June 30, 2008 as compared to \$25,367,619 for the prior year.

ANALYSIS OF SIGNIFICANT VARIANCES BETWEEN FINAL BUDGETED AND ACTUAL EXPENDITURES

The North Dakota Game and Fish Department's final appropriation for the biennium ended June 30, 2007 was \$52,130,002 and the total expenditures were \$47,646,100 for an unexpended appropriation of \$4,483,902 or 8.6%. The largest unexpended appropriation line item was the Habitat and Deer Depredation at approximately \$1.7 million. The North Dakota Game and Fish Department must maintain a reserve of private land funds to pay for winter depredation costs. Mild winters sometimes make the use of this funding unnecessary and it sometimes will not be spent by the end of the biennium. Capital assets also had a material unexpended balance of approximately \$637,000 and was carried over to the next biennium after being approved by the capital construction carryover committee to be used for the construction of the Wildlife Lab in Bismarck. Another line item with a material unexpended balance was grants, which had an unexpended balance of approximately \$517,000 due to the Fisheries, and Conservation and Communication divisions under spending their grant line. Operating expenses had an unexpended balance of approximately \$478,000 due to fuel cost increases that were anticipated but didn't happen. Salaries and wages had an unexpended balance of approximately \$435,000 due to workers compensation being lower than budgeted, vacant positions still being open, and anticipated retirements that did not happen.

Financial Statements

STATEMENT OF REVENUES AND EXPENDITURES

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<u>Revenues and Other Sources:</u>		
Licenses and Permits	\$16,359,794	\$14,681,906
Federal Revenue	8,459,911	8,049,745
Interest Income	1,081,239	1,116,648
Sale of Publications	210,579	206,493
Donations	76,688	55,806
Other Revenue	211,300	224,579
Transfers In	128,195	117,740
Total Revenues and Other Sources	<u>\$26,527,706</u>	<u>\$24,452,917</u>
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$9,885,342	\$9,275,567
Major Operating Expenses:		
Rentals/Leases – Buildings/Land	3,593,875	4,260,555
Operating Fees	1,578,605	1,388,320
Travel	1,357,395	1,364,033
Buildings, Grounds, Vehicle Supply	797,558	1,207,221
Other Capital Payments	552,684	18,584
Postage	447,009	322,232
Professional Services	409,304	387,559
Printing	365,861	381,284
Data Processing	347,434	254,533
Professional Supplies and Materials	241,553	119,063
Miscellaneous Supplies	239,900	181,715
Extraordinary Repairs	153,310	237,385
Utilities	152,472	165,785
IT Communications	147,986	133,509
Repairs	130,957	141,740
Professional Development	129,742	130,190
Supplies – IT Software	117,507	154,438
Other Operating Expenses	127,179	106,728
Equipment and Motor Vehicles	604,503	504,342
Grants	2,777,561	3,950,691
Land and Buildings	223,880	682,145
Total Expenditures and Other Uses	<u>\$24,381,617</u>	<u>\$25,367,619</u>

STATEMENT OF APPROPRIATIONS

For The Year Ended June 30, 2008

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Benefits	\$ 19,013,463	\$ 192,006	\$ 19,205,469	\$ 9,050,184	\$ 10,155,285
Operating Expenses	11,690,087		11,690,087	5,096,568	6,593,519
Capital Assets Construction	3,284,241	630,000	3,914,241	1,198,828	2,715,413
Carryover		259,700	259,700	162,877	96,823
Grants – Game and Fish	6,652,184		6,652,184	2,092,911	4,559,273
Habitat and Deer Depredation	12,786,351		12,786,351	5,301,526	7,484,825
Noxious Weed Control	450,000		450,000	223,167	226,833
Recruitment and Retention Study	30,000		30,000		30,000
Grant-Gift-Donation	500,000		500,000	91,523	408,477
Nongame Wildlife Lonetree Reservoir	1,594,713		1,594,713	616,458	978,255
Wildlife Services	680,000		680,000	254,650	425,350
Ramp and Marina Improvements	1,040,000		1,040,000	285,623	754,377
Totals	<u>\$57,841,039</u>	<u>\$1,081,706</u>	<u>\$58,922,745</u>	<u>\$24,378,315</u>	<u>\$34,544,430</u>
Expenditures by Source:					
Other Funds	\$57,841,039	\$1,081,706	\$58,922,745	\$24,378,315	\$34,544,430
Totals	<u>\$57,841,039</u>	<u>\$1,081,706</u>	<u>\$58,922,745</u>	<u>\$24,378,315</u>	<u>\$34,544,430</u>

Appropriation Adjustments:

The salaries and wages increase of \$192,006 was from a Market Equity bill that was passed by the 2007 Legislative Assembly.

The capital assets increase of \$630,000 was due to the construction of the Wildlife Lab in Bismarck and the increase was approved by the Emergency Commission.

The construction carryover increase of \$259,700 was unexpended last biennium and was approved for carryover by the Capital Construction Carryover Committee to be used for the Garrison Dam National Fish Hatchery, Red River land acquisition, and shooting range construction at McLean Bottoms and Lake Oahe.

Expenditures Without Appropriations Of Specific Amounts:

Insurance recoveries has a continuing appropriation authorized by NDCC section 54-44.1-09.1 (\$3,300 of expenditures for this biennium).

STATEMENT OF APPROPRIATIONS

For The Biennium Ended June 30, 2007

Expenditures by Line Item:	Original Appropriation	Adjustments	Final Appropriation	Expenditures	Unexpended Appropriation
Salaries and Wages	\$ 16,933,000		\$ 16,933,000	\$ 16,498,247	\$ 434,753
Operating Expenses	9,736,435	\$ 639,700	10,376,135	9,897,782	478,353
Capital Assets Construction	2,961,116		2,961,116	2,323,985	637,131
Carryover		900,000	900,000	900,000	
Grants – Game and Fish	6,164,122	(450,000)	5,714,122	5,197,202	516,920
Habitat and Deer Depredation	11,227,979		11,227,979	9,506,838	1,721,141
Noxious Weed Control	350,000	150,000	500,000	466,883	33,117
Grant-Gift-Donation	700,000		700,000	327,460	372,540
Nongame Wildlife	120,000		120,000	6,369	113,631
Lonetree Reservoir	1,528,407		1,528,407	1,352,091	176,316
Wildlife Services	680,000		680,000	680,000	
Ramp and Marina Improvements	800,000	(310,757)	489,243	489,243	
Totals	<u>\$ 51,201,059</u>	<u>\$ 928,943</u>	<u>\$ 52,130,002</u>	<u>\$ 47,646,100</u>	<u>\$ 4,483,902</u>
Expenditures by Source:					
Other Fund	\$ 51,201,059	\$ 928,943	\$ 52,130,002	\$ 47,646,100	\$ 4,483,902
Totals	<u>\$ 51,201,059</u>	<u>\$ 938,943</u>	<u>\$ 52,130,002</u>	<u>\$ 47,646,100</u>	<u>\$ 4,483,902</u>

Appropriation Adjustments:

The operating expenses increase of \$639,700 was partially for federal funds (\$189,700) and was approved by the Emergency Commission. The other part of the increase was for travel costs in the Fisheries and Enforcement Divisions and for the replacement of law enforcement radios and was also approved by the Emergency Commission (\$450,000).

The capital construction carryover increase of \$900,000 was unexpended last biennium and was approved for carryover by the Capital Construction Carryover Committee. The carryover is in accordance with NDCC 54-44.1-11.

The decrease in the grant line item was due to money being transferred to operating expenses for travel costs in the Fisheries and Enforcement divisions and for the replacement of law enforcement radios and was approved by the Emergency Commission.

The increase in Noxious Weed Control was due to dry conditions at Missouri River Reservoirs and also due to the arrival of salt cedar. The increase was approved by the Emergency Commission.

The decrease in ramp and marina improvements was due to the amount that had been spent in the previous biennium after House Bill 1018 section 12 (Emergency) was passed.

Expenditures Without Appropriations Of Specific Amounts:

Statewide Conference Fund had expenditures that were nonappropriated in accordance with OMB policy 211 (\$15,851 of expenditures for this biennium).

Insurance recoveries has a continuing appropriation authorized by NDCC section 54-44.1-09.1 (\$8,745 of expenditures for this biennium).

Internal Control

In our audit for the two-year period ended June 30, 2008, we identified the following areas of the North Dakota Game and Fish Department's internal control as being the highest risk:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the computer based cost tracking system, licensing system, and the online services information system.

The criteria used to evaluate internal control is published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded that internal control was not adequate noting certain matters involving internal control and its operation that we consider to be significant deficiencies.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. 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 (1) misstatements in financial or performance information, (2) violations of laws and regulations, or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we identified the following significant deficiencies in internal control. We also noted other matters involving internal control that we have reported to management of North Dakota Game and Fish Department in a management letter dated February 18, 2009.

FRAUD RISK ASSESSMENT

Finding 08-1

The North Dakota Game and Fish Department does not have a system in place to identify possible instances of fraud or fraudulent activities in their financial and operational areas.

The most important guidance relating to internal control is contained in *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This guidance dictates that a Fraud Risk Assessment program be established and practiced to identify risks of fraudulent type activities, including when special circumstances arise, when changing environments arise, and for restructuring. In addition, the North Dakota Game and Fish Department does not have the necessary control activities designed/documentated to ensure significant fraud exposures are identified and mitigated. Management must design the necessary internal controls to ensure significant fraud exposures identified during the risk assessment process are adequately mitigated and that the system of control activities addressing each of the identified fraud risks has been adequately tested by management.

Audit Recommendation and Agency Response

Recommendation:

We recommend the North Dakota Game and Fish Department:

- Establish and perform a fraud risk assessment on a comprehensive and recurring basis.
- Design and document the necessary control activities to ensure that each significant fraud exposure identified during the risk assessment process has been adequately mitigated.

North Dakota Game and Fish Department's Response:

The Game and Fish Department agrees with the recommendation and will develop the necessary policies and documents for fraud risk assessments based on OMB guidelines and perform such assessments periodically.

Finding 08-2

LACK OF GENERAL LEDGER TRANSACTION APPROVAL PROCEDURES

The ConnectND general ledger did not have online approval capabilities for journal entries during our audit period, and the North Dakota Game and Fish Department did not have documented approval of transactions processed through the general ledger.

According to the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework Executive Summary, verifications and approvals are control activities used to ensure necessary actions are taken to address an entity’s operating risks. Properly designed internal controls require the review and approval of all accounting transactions. Journal entries that are not reviewed and approved have a greater risk of errors or irregularities.

Audit Recommendation and Agency Response

Recommendation:

We recommend the North Dakota Game and Fish Department ensure all general ledger entries are reviewed and properly approved.

North Dakota Game and Fish Department’s Response:

The Game and Fish Department agrees with the recommendation. We will ensure all general ledger transactions are properly approved by an individual independent of initiation and preparation.

Compliance With Legislative Intent

In our audit for the two-year period ended June 30, 2008, we identified and tested North Dakota Game and Fish Department's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

Legislative Intent Included In Our Audit Scope

- The Department has \$3,500,000 or less from the land habitat and deer depredation line which should be used for the private land habitat and access improvement program. (2005 North Dakota Session Laws chapter 18, section 4).
- The Department has \$35,000 or less from the nongame wildlife fund for the purposes of preservation, inventory, perpetuation, and conservation. (2005 North Dakota Session Laws chapter 18, section 5).
- The Department has \$680,000 or less from the game and fish fund for the purpose of alleviating wildlife depredation and damage. (2005 North Dakota Session Laws chapter 18, section 6).
- The Department is granted the unrestricted receipt of \$500,000 or less from the estate of Rodney Underdahl for the grants, gifts, and donations line item. (2005 North Dakota Session Laws chapter 18, Section 7).
- The Department has the authority to provide a grant of up to \$750,000 from the game and fish fund for the Grahams Island Road project, however if the bids are less than the amount budgeted, \$350,000 must be returned to the game and fish fund. (2005 North Dakota Session Laws chapter 18, section 8).
- Revenue received from the Department of Transportation for boat registration fees can only be used for boat launching facilities, fish cleaning and comfort stations, boating enforcement, boating safety education, and boat license administration. (North Dakota Century Code section 20.1-02-16.5).
- Habitat restoration stamp funds received may not be used for the purchase of land. (North Dakota Century Code section 20.1-03-12.1).
- Application of proper statutory rates relating to revenue.
- All income of the Department must be credited to the game and fish fund (fund 222) and interest earned on these funds are to be deposited into the habitat and access improvement fund (fund 488). The balance of the game and fish fund may not be spent below \$15,000,000. (North Dakota Century Code section 20.1-02-16.1).

- Proceeds from the sale of confiscated property must be transferred to the North Dakota Wildlife Federation Fund or as directed by the court. (North Dakota Century Code section 20.1-10-04).
- The Department must file a biennial report. (North Dakota Century Code section 20.1-02-04).
- The Land Habitat and Access Improvement fund can only be used for private land habitat and access improvement programs. (North Dakota Century Code subsection 17 of section 20.1-02-05).
- Compliance with OMB's Purchasing Procedures Manual.
- Compliance with appropriations and related transfers (2005 North Dakota Session Laws chapter 18).
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Compliance with payroll related laws including statutory salaries for applicable elected and appointed positions, and certification of payroll.
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Proper use of outside bank accounts, petty cash funds and proper authority for investments outside the Bank of North Dakota.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Compliance with fixed asset requirements including record keeping, surplus property, lease and financing arrangements in budget requests, and lease analysis requirements.

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards requires auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that have occurred or are likely to have occurred.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

Operations

This audit did not identify areas of North Dakota Game and Fish Department's operations where we determined it was practical at this time to help to improve efficiency or effectiveness.

Management Letter (Informal Recommendations)

February 18, 2009

Mr. Terry Steinwand, Director
North Dakota Game and Fish Department
100 North Bismarck Expressway
Bismarck, North Dakota 58501

Dear Mr. Steinwand:

We have performed an audit of the North Dakota Game and Fish Department for the two-year period ended June 30, 2008, and have issued a report thereon. As part of our audit, we gained an understanding of the North Dakota Game and Fish Department's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

PAYROLL

Informal Recommendation 08-1: We recommend the North Dakota Game and Fish Department strengthen internal controls surrounding payroll by assigning responsibility to reconcile the personnel action forms (PAF) to the initiating form by an individual independent of PAF entry.

ACCOUNTS PAYABLE/EXPENDITURES

Informal Recommendation 08-2: We recommend the North Dakota Game and Fish Department review the access roles for general ledger data entry and general ledger approval to ensure these functions are properly segregated.

Management of the North Dakota Game and Fish Department agreed with these recommendations.

I encourage you to call myself or an audit manager at 328-2241 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

Orlin Bensen
Senior Auditor