

North Dakota Game and Fish Department

BISMARCK, NORTH DAKOTA

Audit Report

For the Two-Year Period Ended
June 30, 2018

Joshua C. Gallion
State Auditor



Office of the State Auditor
Division of State Audit



Why We Conducted This Audit

The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements.

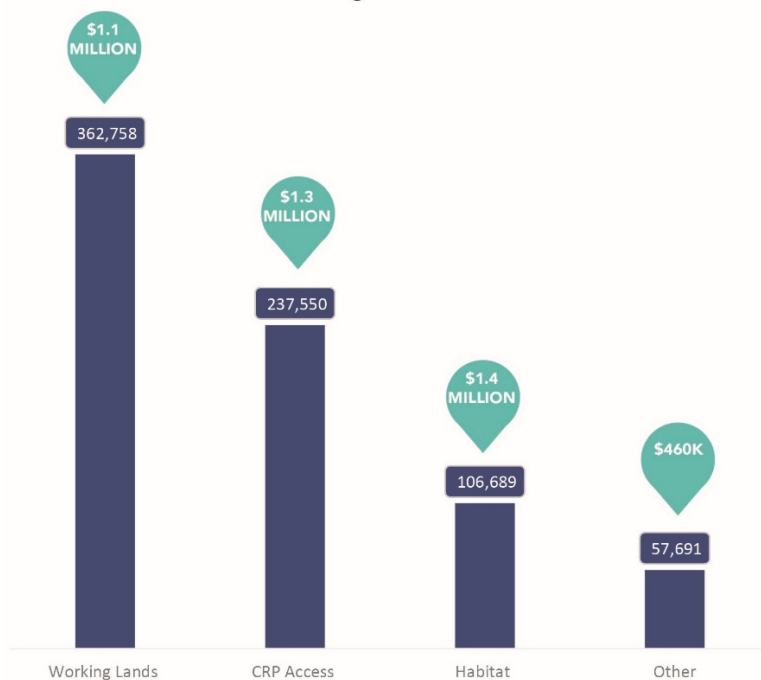
What We Found

The North Dakota Game and Fish Department complied with law and appropriation requirements.

PLOTS Program

The mission of the North Dakota Game and Fish Department is to protect, conserve, and enhance fish and wildlife populations and their habitat for sustained public consumptive and nonconsumptive use. In North Dakota, over 93% of land is held in private ownership, therefore it is critical that the Department work closely with private landowners to meet their mission. In order to do this, the Department has established the Private Land Open To Sportsmen (PLOTS) program, an agreement between the private landowner and Game and Fish, which allows walk-in public access for hunting on private land. In 2017, the Department contracted with Responsive Management to complete an evaluation of the program. The results were overwhelmingly positive from both hunters and landowners.

Program Acres



Source: Connect ND & ND Game & Fish

In 2018, the Department had over 760,000 acres enrolled into the PLOTS program and paid out over \$4.4 million to landowners. There are several program options available to landowners, including Working Lands, CRP, and Habitat Programs. See further explanation of programs on page 3.

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State Auditor Personnel

**Allison Bader, MBA, Audit Manager
Kevin Scherbenske, CPA, Audit Supervisor
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Amanda Westlake**

Primary State Agency Contacts

**Terry Steinwand, Director
Kim Kary, Chief of Administrative Services**

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OFFICE OF THE STATE AUDITOR
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BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

April 23, 2019

The Honorable Doug Burgum, 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, 2018. 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.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Additionally, whenever possible additional audit objectives are included to increase efficiency and effectiveness of state government.

Allison Bader was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to Mr. Steinwand and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

Audit Results

Statutory Audit Requirements

The objective related to our statutory audit requirements is:

Are there any exceptions to report relating to statutorily required audit testing?

Statutorily required audit testing includes: performing the post audit of financial transactions, detecting and reporting any defaults, determining that expenditures have been made in accordance with law, appropriation acts, and emergency commission action, and evaluating blanket bond coverage. Defaults are defined as failures to do something required by duty or law. Bonding coverage provides insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

Conclusion

Audit procedures included testing compliance with appropriation laws, evaluating the adequacy of blanket bond coverage, and performing tests of expenditures and fixed assets. No exceptions to our statutorily required audit testing were identified.

PLOTS Program

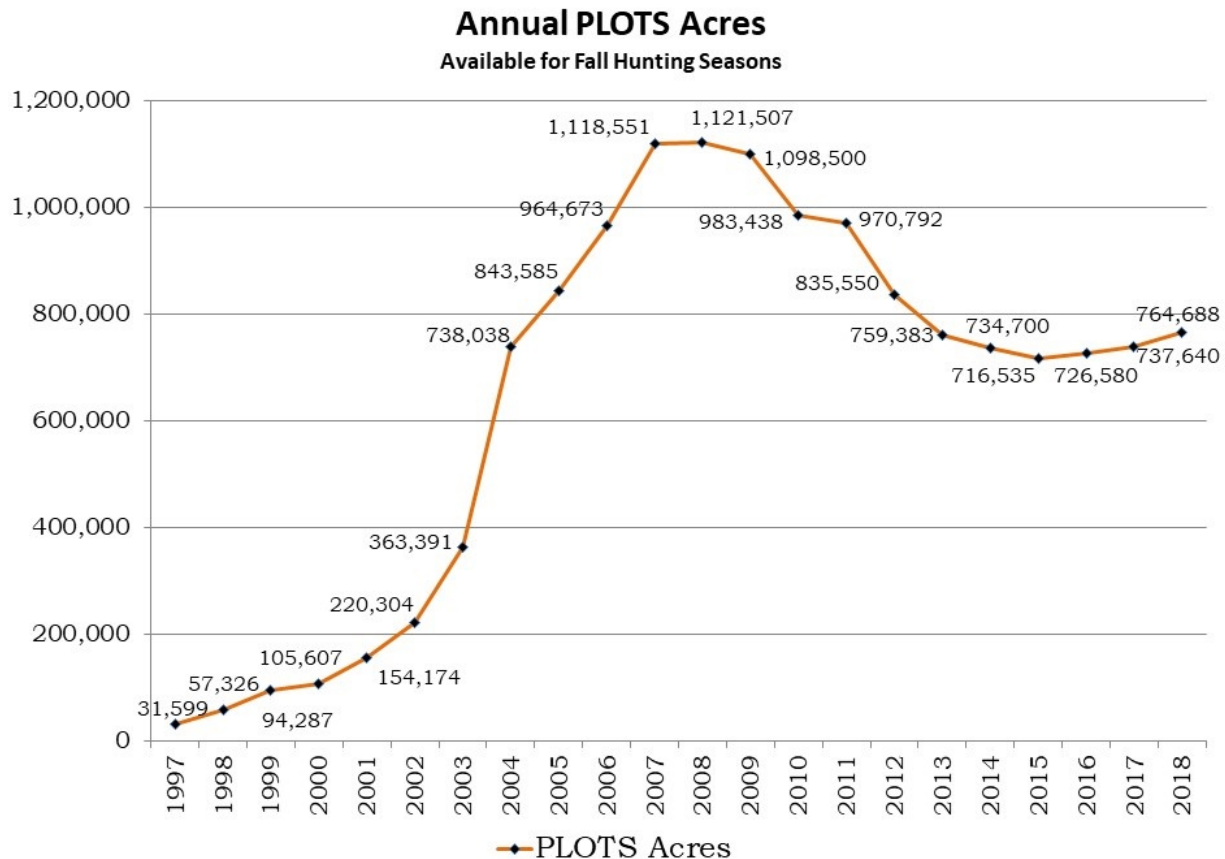
The audit also reviewed the results of a study conducted by Responsive Management for the North Dakota Game and Fish Department to evaluate hunters' and landowners' opinions on the Private Land Open To Sportsmen (PLOTS) program.

The Private Land Initiative (PLI) is the primary mechanism for applying the Department's mission onto the private landscape of North Dakota. The mission of the North Dakota Game and Fish Department is to protect, conserve, and enhance fish and wildlife populations and their habitat for sustained public consumptive and nonconsumptive use. According to the Department's website, over 93% of land in North Dakota is privately owned, therefore, it is critical that the Department work closely with the private landowners to meet their mission. The PLI has three main goals:

- Conservation of habitats for fish and wildlife populations.
- Provide landowners interested in wildlife conservation with cost-share assistance for developing and protecting wildlife habitat.
- Provide public opportunities to access fish and wildlife resources on private land.

North Dakota Century Code (NDCC) 20.1-02-27 provides the Director of the Game and Fish Department the authority to establish programs for landowner assistance that encourage public access to private lands for purposes of hunting. In 1997, the Department established the PLOTS program as a component of the Department's Private Land Initiative. PLOTS is an agreement between the private landowner and the Game and Fish Department, which allows walk-in public access for hunting on private land. In 2003, the Governor set a goal for the Department to reach 1 million acres of private land enrolled in the PLOTS program by 2009. The goal was reached 2 years early in 2007. However, since that time, enrolled acreage has decreased. In 2018, there

were 764,688 acres enrolled in the program. The Department reports retaining the goal of 1 million acres, however they are focused on obtaining quality land and not just meeting the 1-million-acre goal. See graph below for history on the number of enrolled acres in the program.



Source: ND Game and Fish Department

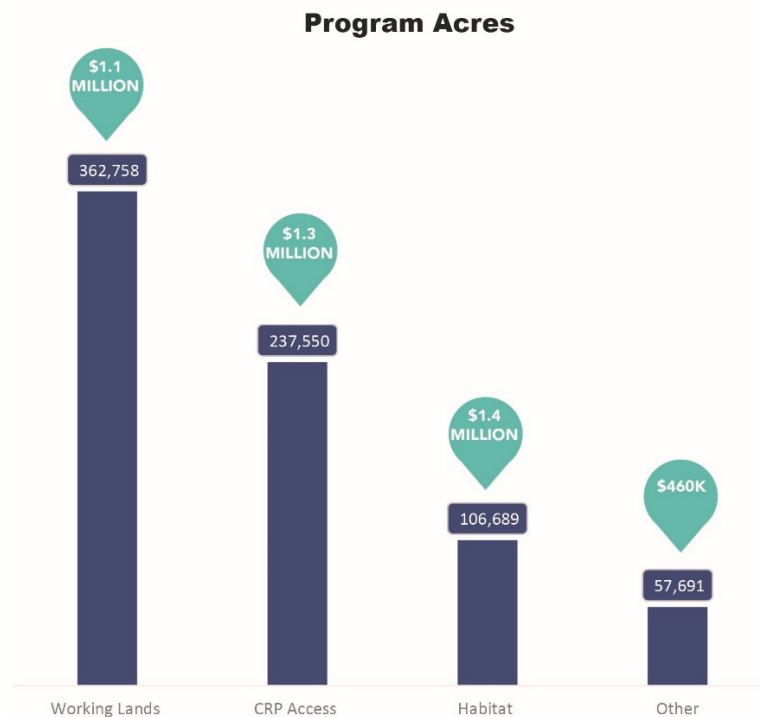
There are several program options available to landowners through the PLOTS program including:

- Working Lands Program – The Department’s largest and most popular program. Provides a multi-year rental and access payment for maintaining conservation practices, habitat features, and management activities that have a positive impact on wildlife habitat on active agricultural lands.
- Conservation Reserve Program (CRP) Access - Provides assistance to landowners establishing or maintaining USDA Conservation Reserve Program acres in exchange for public access.
- Habitat Plot Program – A multi-year rental of private land providing nesting, wintering, and other key wildlife habitat. The habitat can be newly established habitat, existing habitat or a combination of both.

- Wetland Reserve Easement Incentive Program (WRP) – Provides up-front payment to landowners to allow public walk-in hunting access on private land enrolled in the USDA Wetland Reserve Easement program.

See breakdown of total PLOTS program acres by program type below, as well as breakdown of the payments by program type:

<u>Program Type</u>	<u>Acres</u>
Beginning Farmer Program	2,520
CREP II	565
CREP /Coverlocks	12,935
CRP Access Program	237,551
Habitat Plots	106,689
Other	7,217
Private Forest Conservation Program	10,365
Tree Planting Cost Share Program	238
Working Lands Program	362,758
WRP Incentive Program	23,851
Total	764,689



Source: ND Game and Fish Department

In 2017, the Department hired the consulting firm Responsive Management to evaluate hunters' and landowners' opinions on the PLOTS program. Data was collected to help the Department determine if the program meets hunter expectations, what could be done to improve PLOTS tracts, and where the Department should focus its efforts. Likewise, data was collected to help

determine landowner expectations as well, what they like or dislike about the program, what they think could be improved or changed, and what would make enrollment more appealing. Overall, the survey found high satisfaction rates from both hunters and landowners. The survey backed up the Department's belief in obtaining quality land versus quantity, as the survey respondents chose fewer acres/higher quality by over a 2-to-1 ratio on the hypothetical question, "If you had to choose, would you prefer that the PLOTS program have an emphasis on more areas available to hunt, with a potential sacrifice in wildlife or habitat quality, or fewer areas available to hunt, with better wildlife and habitat quality?". The survey also found that most hunters were unaware that PLOTS acreage had decreased over the past decade.

Going forward, the Department plans to internally conduct surveys on the PLOTS program to continue to monitor the satisfaction of the program.

Internal Control

We gained an understanding of internal control 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.

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: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives and based upon the audit work performed.

Scope

This audit of the North Dakota Game and Fish Department is for the two-year period ended June 30, 2018.

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

- Bismarck Office (Headquarters)
- Bismarck District Office and Lab
- Devils Lake Office
- Dickinson Office
- Jamestown Office
- Lonetree Office
- Riverdale Office
- Williston Office

Methodology

To meet this objective, we:

- 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.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the North Dakota Game and Fish Department's processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations including emergency commission actions. Where necessary, internal controls were tested which included selecting representative samples to determine if controls were operating effectively and if laws were being followed consistently.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Performed an analysis and selected a sample of high-risk transactions, including expenditures, purchase card transactions, grant and PLOTS program expenditures, and fixed asset deletions for further testing.
- Reviewed the results of contracted study to evaluate hunters' and landowners' opinions on the PLOTS program.

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

Authority and Standards

This biennial performance audit of the North Dakota Game and Fish Department has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The criteria used to evaluate internal control is published in the publication *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book, GAO-14-704G). Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216).

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Revenues and Other Sources:</u>		
Licenses and Permits (Net of Refunds)	\$ 15,546,753	\$ 20,190,130
Federal Revenue	14,595,127	18,305,853
Donations	220,417	338,952
Leases, Rents and Royalties	174,163	150,617
Sale of Publications	134,621	185,466
Sale of Agriculture Products	85,779	59,431
Interest Income	80,181	71,717
Other Revenue	69,834	175,004
DAPL Reimbursements		572,417
Transfers In	375,068	403,134
Total Revenues and Other Sources	<u>\$ 31,281,943</u>	<u>\$ 40,452,721</u>
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$ 15,700,915	\$ 15,911,471
PLOTS Payments	4,434,114	6,663,832
Grants	2,681,661	3,896,324
Operating Fees	1,868,614	1,488,974
Travel	1,563,511	1,622,847
IT Data Processing/Communications/Equipment	898,187	982,314
Other Capital Payments	871,830	646,330
Professional Services	738,261	848,907
Land Improvements and Extraordinary Repairs	694,281	1,331,962
Building, Ground and Vehicle Supply	688,361	869,664
Supplies	373,894	632,416
Equipment	370,705	633,552
Postage	327,710	418,661
Land Purchases	315,959	372,168
Motor Vehicles	303,029	146,072
Other Expenditures	292,393	188,499
Utilities	238,246	229,089
Repairs	232,516	227,620
Printing	227,817	273,335
Total Expenditures and Other Uses	<u>\$ 32,822,004</u>	<u>\$ 37,384,037</u>

Source: ConnectND Financials

Statement of Appropriations

For the Year Ended June 30, 2018

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
Salaries and Wages	\$ 30,076,669	\$ 14,254,639	\$ 15,822,030
Operating Expenses	15,615,059	5,588,335	10,026,724
Capital Assets	6,330,956	1,268,214	5,062,742
Construction Carryover	757,024	757,024	
Grants – Game and Fish	9,650,184	2,237,898	7,412,286
Shooting Sports Grant Program	250,000	1,000	249,000
Habitat & Deer Depredation	18,984,603	6,846,584	12,138,019
Noxious Weed Control	725,000	345,505	379,495
Missouri River Enforcement	283,857	129,608	154,249
Grant – Gift – Donation	802,201	243,051	559,150
Nongame Wildlife Conservation	120,000	9,944	110,056
Lonetree Reservoir	1,798,119	885,842	912,277
Wildlife Services	500,000	250,000	250,000
Totals	<u>\$ 85,893,672</u>	<u>\$ 32,817,644</u>	<u>\$ 53,076,028</u>
Expenditures by Source:			
Other	<u>\$ 85,893,672</u>	<u>\$ 32,817,644</u>	<u>\$ 53,076,028</u>
Totals	<u>\$ 85,893,672</u>	<u>\$ 32,817,644</u>	<u>\$ 53,076,028</u>

Source: ConnectND Financials

For the Biennium Ended June 30, 2017

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
Salaries and Wages	\$ 30,020,383	\$ 27,922,468	\$ 2,097,915
Operating Expenses	13,986,973	11,488,788	2,498,185
Capital Assets	5,497,996	4,128,619	1,369,377
Construction Carryover	244,996	244,996	
Grants	7,334,412	6,251,962	1,082,450
Habitat & Deer Depredation	17,804,257	15,129,515	2,674,742
Noxious Weed Control	700,000	600,240	99,760
Missouri River Enforcement	282,540	279,120	3,420
Grants, Gifts, and Donations	827,519	442,623	384,896
Nongame Wildlife Conservation	120,000	32,502	87,498
Lonetree Reservoir	1,823,005	1,637,438	185,567
Wildlife Services	384,400	384,400	
Totals	<u>\$ 79,026,481</u>	<u>\$ 68,542,671</u>	<u>\$ 10,483,810</u>
Expenditures by Source:			
Other	<u>\$ 79,026,481</u>	<u>\$ 68,542,671</u>	<u>\$ 10,483,810</u>
Totals	<u>\$ 79,026,481</u>	<u>\$ 68,542,671</u>	<u>\$ 10,483,810</u>

Source: ConnectND Financials

LAFRC Responses

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies. Those items and the Office of the State Auditor's responses are noted below.

Responses to LAFRC Audit Questions

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

This question is not applicable for performance audits. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified 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?

Yes.

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?

There were no recommendations included in the prior audit report.

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

No, a management letter was not issued.

LAFRC Audit Communications

7. 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, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

8. 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.

9. Identify any significant audit adjustments.

Significant audit adjustments were not necessary.

10. 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.

11. Identify any serious difficulties encountered in performing the audit.

None.

12. Identify any major issues discussed with management prior to retention.

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

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

None.

14. 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 and Human Resource Management System (HRMS), as well as the Department's Cost Tracking System, are high-risk information technology systems critical to the North Dakota Game and Fish Department.

You may obtain audit reports on the internet at:

www.nd.gov/auditor

or by contacting the Office of the State Auditor at:

Email: ndsao@nd.gov

Phone: (701) 328-2241

Office of the State Auditor

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