Department of Natural Resources

Wildlife Licensing Audit

Audit Period: July 1, 2011 through December 31, 2011

Report number: 2012-DNR-01   **Issuance date: March 22, 2012**

Executive Summary

Background

As of March 2011, the Wild Ohio Customer Relationship Management System is the Division of Wildlife's web-based license and game-check system. Transactions occur in real time, enabling the Division to better enforce laws and business rules. Hunters and anglers are able to purchase and print licenses and permits instantly via the internet from home or at a license agent. Deer and turkey hunters are able to check game on the Internet, over the phone, or at any license agent. This system incorporates management and integration of all aspects of interaction the Division has with each customer, whether it be sales or service related, into a single customer account. Customers have the ability to manage their own account on the Internet using secured access.

The Wild Ohio Customer Relationship Management System is designed to offer the following benefits:

- License sales and game-check transactions are performed in real time and are available on the Web during holidays and before or after license agent business hours.
- The system offers one-stop shopping for licenses, stamps, and hunter education courses from the convenience of home via the Internet.
- Hunters are still required to check-in their game, but no longer have to take their harvest to a check station for physical inspection.
- Will save hunters and anglers on fuel costs, time, and frustrations with closed license sales outlets/check stations, which equates to more time in the field.
- Helps to ensure customers are properly licensed.
- The system will not sell to those under license suspension or other restrictions.
- Allows biologists and law enforcement to electronically gather data to manage wildlife and enforce Ohio's hunting regulations.

From July 1, 2011 through December 31, 2011 approximately 332,290 hunting licenses and 548,321 deer permits were sold. During the 2011-2012 hunting season approximately 219,698 deer were taken. Additionally, 202,671 fishing licenses were sold from July 1, 2011 through December 31, 2011.

 During the audit, OIA identified opportunities for DNR to strengthen internal controls and improve business operations. A summary along with detailed observations, have been provided. OIA would like to thank DNR staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform assurance work related to the Wild Ohio Customer Relationship Management System. This work was completed between January and March 2012.

The scope of this audit included a review of both financial and information technology (IT) aspects of the wildlife licensing system. IT controls for this system are primarily maintained by an outside vendor in accordance with a service level agreement. Control effectiveness testing for IT objectives below were provided by a third party auditor through the issuance of a Statement on Auditing Standards (SAS) 70 report. The SAS 70 report concluded there were "no relevant findings" for the "Backup, Recovery and Availability" objective. As such, OIA focused its audit efforts on the design of IT controls and the adequacy of vendor monitoring.

The following summarizes the objectives of the audit along with a conclusion on the effectiveness of management's internal controls.

Objective	Conclusion[1]
Evaluate the design and effectiveness of controls over the reconciliation of revenues to licenses and permits issued.	Improvement Needed – See Observation 1
Evaluate the design and effectiveness of controls over the validation and monitoring of customer data.	Improvement Needed – See Observation 2
Evaluate the design of IT controls related to data integrity and confidentiality in the Wildlife Licensing system.	Well-Controlled
Evaluate the design of IT controls related to system availability in the Wildlife Licensing system.	Well-Controlled

[1] Refer to Appendix A for classification of audit objective conclusions.

Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. There were no low risk observations identified as part of this audit.

Observation 1 – Segregation of Duties

Adequate internal controls establish segregation of duties to prevent asset misappropriation. Incompatible duties include: custody of assets; authorization or approval of transactions affecting those assets; and recording or reporting related to those transactions. Procedures should be designed to prevent employees from performing incompatible duties.

Currently, the Business Operations Receptionist receives mailed payments and hunting and fishing license/permit applications and updates the Revenue Log Access database. The Revenue Program Administrator receives payments and hunting and fishing license/permit applications from the Business Operations Receptionist, approves deposits, and has the ability to modify the Revenue Log Access database.

The lack of adequate segregation of duties could result in undetected errors or misappropriation of assets.

Recommendation

Implement policies and procedures to ensure incompatible duties are segregated such that no individual is responsible for any two of the following: custody of assets; authorization of transactions; or recording of transactions. Procedures could include:

- Two individuals present when the mail is opened and revenue logged.

- Process the revenue and applications in separate areas.

- Restrict the ability of the Revenue Program Administrator to delete records on the Revenue Log.

Management Response

Staff reductions over the last few years have made it difficult to process revenue and applications in separate areas and dedicate two employees to open and log mail/revenue. In addition, we feel the costs of implementing the referenced prevention controls associated with the revenue collection and the mail order license applications process exceeds the intended benefits. We do have several compensating measures in place to further minimize the risk associated with this process. When you take our process into consideration, along with the fact that we have a customer waiting to receive a license/permit in the mail, the risk of undetected theft occurring is minimal. If cash is pocketed and the application destroyed the customer will not receive a license. If the customer does not receive the requested license, the customer is going to notify us, and we are going to quickly realize that there is an issue.

Our compensating measures are listed below:

- We log all revenue
- We endorse checks when revenue is opened
- Staff processing sales in WOCRMS have unique credentials, allowing us to identify a sales transaction to an employee.
- Each day WOCRMS generates a report detailing the prior day's license sales for our office. This sales report is reconciled against the revenue log.
- Each week the revenue log is reconciled against the revenue deposits by the Fiscal Control Administrator.

Beginning immediately, full access to the Revenue log will be restricted to the receptionist, the receptionist's back-up and the Business Administrator. Staff processing applications and revenue will have read only access.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Business Operations Administrator	April 2012

Observation 2 – Monitoring and Validation of Customer Data

Detective controls such as data monitoring and validation are performed to assist in the identification of potential data inaccuracies, anomalies, and irregularities in application systems.

The ODNR Office of Law Enforcement performs field inspections to determine if hunters and anglers are properly licensed. Additionally, in March 2012, ODNR Office of Information Technology plans to implement a cross-reference that will check customer addresses against agency facility and agency employee addresses to identify potential fraud. However, the Division of Wildlife (DOW) does not currently have policies or procedures in place to validate the integrity of customer information (social security number, name, address, driver license number, etc.) entered into the Wild Ohio Customer Relationship Management System (WOCRMS) or to follow up on suspicious activity.

The lack of monitoring or validation of customer data could result in the risk of fraudulently obtained licenses or the risk of incorrect license/permit type issuance going undetected.

Recommendation

Implement policies and procedures to validate customer information in WOCRMS. Policies and procedures should indicate when the activity is to be performed and actions to be taken when inconsistent information is discovered. Also, explore the possibility of incorporating preventative or detective controls to validate of information with data from independent sources (e.g. other state agencies, US Postal Service).

Management Response

The Wild Ohio Customer Relationship Management Systems (WOCRMS) provides multiple services to the citizens of Ohio. In addition to license purchasing, citizens can request magazines and publications, complete hunter education courses, provide harvest information, and modify their own profile all within a single interface.

Ohioans are likely to interact with WOCRMS multiple times over a single license year. The ability for Ohioans to access and maintain their own profile promotes the accuracy of customer information. While in most cases, WOCRMS is likely to contain more accurate customer information, the Division of Wildlife will continue to seek ways to validate customer information.

The Division of Wildlife in conjunction with the ODNR-Office of Information Technology will regularly review WOCRMS to identify possible fraudulent purchasing activity in the dataset. An analysis of address data would allow ODNR to identify licenses needing further review.

The ODNR-Office of Information Technology will, on a semi-annual basis, perform the analysis of licenses issued and produce a report that will be forwarded to the ODNR Chief of Law Enforcement, who will look for any inconsistencies or anomalies that require further investigation and review. Policies and procedures will be developed for producing reports, reviewing results, and reporting fraud. The procedures and associated policies will be completed no later than July 1, 2012.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Business Operations Administrator	July 2012

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

* Refer to Appendix A for classification of audit observations.

Appendix A – Classification of Audit Objective Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	State Audit Committee, Senior Management, Department Management
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	State Audit Committee, Senior Management, Department Management
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Department Management, Senior Management (Optional), State Audit Committee (Not reported)