



Department of Natural Resources Wildlife Audit

Audit Period: January 2015 through December 2015

Results Summary:

Objective	Conclusion
Conservation Club Federal Grants	Well-Controlled with Improvement Needed
Cooperative Agreements	Improvement Needed

Please refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

Land acquisition, harvest regulations, and licensing are fundamental tools in the management of Ohio's wildlife resources. The Division of Wildlife, within the Department of Natural Resources (DNR), manages or cooperates in managing over three-quarters of a million acres of diverse wildlife lands throughout the state and more than 2.25 million acres of water. On the basis of biological data and public input, it issues regulations that supplement long-term statutes to protect wildlife and to provide the public with opportunities to benefit from wildlife for recreational, scientific, and other purposes. The Division provides public access at 138 wildlife areas and other lands under agreements. The Division issues hunting and fishing permits, manages wildlife and fish populations, and oversees special habitat environments including wetlands. The Division also operates fish and wildlife research stations, fish hatcheries, and public hunting and fishing areas allocated among five regions statewide.

Additionally, the Division administers Wildlife Conservation Club Partnership grants and cooperative agreements. Wildlife Conservation Club Partnership grants provide funding to local conservation clubs and organized non-profit organizations to promote outdoor skills such as fishing, hunting, trapping, archery and shooting sports. The Division awarded \$1 million in grants to 142 conservation clubs for the state fiscal year 2016 grant period. Wildlife management plans provide for farming portions of wildlife areas through cooperative agreements in exchange for maintenance and protection of existing woodlands, establishment of regular crop rotations, improvement of open fields for nesting, and establishment of food patches for general wildlife use. During the period January through December 2015, the Division had 114 cooperative agreements.

The Division receives approximately \$17 million from funds authorized by the Pittman-Robertson Wildlife Restoration Act and Dingell-Johnson Sport Fish Restoration Act. The Division receives the funds through the Fish and Wildlife Cluster (CFDA 15.605 – Sport Fish Restoration Program and 15.611 – Wildlife Restoration and Basic Hunter Education).

During the audit, OIA identified opportunities for DNR to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*. 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 an assurance audit related to the controls over the DNR Division of Wildlife contracts and federal grants. This work was completed January through March 2016.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls within the conservation club federal grants process.
- Evaluate the design and effectiveness of controls within the farming cooperative agreements process.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.

Observation 1 – Lack of Cost and Yield Documentation

Adequate internal controls include documentation of contract needs, yield of the acreage offered based on required crop growth, and documented estimates of goods and services required in return. The documentation should include justification to support that contract deliverables are necessary to accomplish DNR's goals. Yield documentation and estimates of goods and services should include the source and date of when the information was obtained. If possible, estimates should be obtained from multiple vendors.

DNR utilized 114 cooperative (including farming, grazing, and trapping) agreements during the period January through December 2015. OIA reviewed 12 agreements and noted a variety of contract deliverables. Deliverables included cash, limestone, herbicide, and building maintenance materials to provide to DNR, equipment rental on behalf of DNR, finishing the interior of a DNR building, tire purchase for DNR equipment, and equipment purchases on behalf of DNR. However, DNR does not maintain documentation of contract needs, yield of crop growth, and estimates of goods and services. In many instances, DNR obtains estimates verbally but does not document the estimate or relies on prior experience to determine estimates.

Lack of adequate documentation of contract needs and estimates does not allow DNR management to ensure goals are met and adequate return is obtained in exchange for use of DNR's properties. In addition, invitations to bid from DNR may not represent accurate estimates



of the cost of goods or services required in the contract, increasing the risk of individuals placing bids based on inaccurate information.

Recommendation

Evaluate internal controls in the cooperative agreements process to ensure the internal controls address the following: identification of DNR goals that agreements assist in accomplishing, documentation to support determination of yield estimates for the acreage offered, and documentation of price estimates obtained for the deliverables to DNR. Consider obtaining multiple yield and price estimates to ensure the most accurate estimate information is presented to potential bidders.

Wildlife Division Management in Central Office should update, document, and communicate policies and procedures to the district offices over the use of cooperative agreements. The policies and procedures should include:

- The types of goods/services allowable in return for use of DNR properties,
- Methodology to document justification for the need to create a cooperative agreement,
- Methodology to document quotes from service providers and price estimates for goods or services,
- Requirements for utilizing equipment leases and purchases (such as procurement and asset management considerations), and
- Requirements for record retention of cooperative agreement supporting documentation.

Management Response

The Division of Wildlife, Wildlife Management section, understands the need for adequate internal controls over the cooperative agreements. The Division will assemble a work group of employees consisting of staff from Wildlife Districts and Central Office to evaluate internal controls for the cooperative agreements and to update procedures to address audit findings. Updated procedures will include guidance to ensure contracts and supporting contract documentation reference Wildlife Area Management Plans. Wildlife Area Management plans identify the goals to be accomplished by farming.

The work group will seek advice from Division of Wildlife Administration on allowable receivables, such as cash and other goods and services, to be included in the procedure. Allowable receivables and prohibited receivables will both be outlined in the updated procedure.

The work group will consult with the Business Operations group to ensure that the procedure complies with all purchasing policies, and especially those pertaining to obtaining quotes and price estimates. They will also ensure that the procedure complies with business procurement and asset management policies in regards to utilizing equipment leases and purchases. The



records retention staff member will provide guidance about record retention requirements and necessary supporting documentation to be submitted and retained with the cooperative farming contracts.

The updated procedure will be reviewed by the Division of Wildlife Executive Staff for comment and approval. The procedure will follow established DNR procedure for procedure approval. Once the formalized procedure is complete and approved, it will become part of the formal cooperative farming procedure. The Division of Wildlife will implement the new procedure before the next farming cycle with the expected date of completion by September 16, 2016. Immediately upon the completion of the procedure the Division of Wildlife will communicate the new procedure to staff.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Wildlife Management Program Manager External Audit Supervisor	September 2016

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 Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
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.
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.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
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.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee