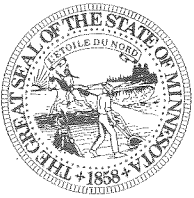


**DEPARTMENT OF NATURAL RESOURCES  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 1985**

**MARCH 1986**

Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Randolph W. Peterson, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

and

Mr. Joseph Alexander, Commissioner  
Department of Natural Resources

Audit Scope

We have completed a financial and compliance audit of the Department of Natural Resources (DNR) for the year ended June 30, 1985. The audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Field work was completed on January 31, 1985.

The objectives of the audit were to:

- verify that financial transactions were properly recorded on the Statewide Accounting System and included in the State of Minnesota's Comprehensive Annual Financial Report;
- express an opinion on the financial statements of the federal programs included in the Single Audit scope, specifically Federal Aid in Wildlife Restoration--Pittman-Robertson (CFDA #15.611), and Peat Resource/Research and Development (CFDA #81.037);
- study and evaluate major internal control systems at the DNR, including a review of receipts, payroll, administrative disbursements, and imprest cash;
- verify that financial transactions were made in accordance with applicable state laws, regulations, and policies, including Minnesota Statute Chapters 84, 84A, 85, 86, 88, 89, 90, 92, 93, 94, 97, 98, 99, 100, 101, 102, 104, and 105, other finance-related laws and regulations, and federal laws and regulations pertaining to the federal programs included in the Single Audit scope; and
- determine the status of prior audit recommendations.

Senator Randolph W. Peterson, Chairman  
Members of the Legislative Audit Commission  
and  
Mr. Joseph Alexander, Commissioner  
Page 2

The Single Audit coverage satisfies the federal government's financial and compliance audit requirements for all federal programs administered by the DNR in fiscal year 1985.

The management of the Department of Natural Resources is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of these controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of the Department of Natural Resources is also responsible for the agency's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered throughout the department. The purpose of our testing of transactions was to obtain reasonable assurance that DNR, in all material respects, administered their programs in compliance with applicable laws and regulations.

#### Conclusions

In our opinion, except for the issues addressed in Section II, recommendations #4, 6, 23, and 24, for the year ended June 30, 1985, the DNR properly recorded, in all material respects, its financial transactions on the Statewide Accounting System and in the financial statements included in the State of Minnesota's Comprehensive Annual Financial Report.

We have issued a qualified opinion on the statements of federal grant activity for the year ended June 30, 1985 because the DNR's financial statement for Federal Aid in Wildlife Restoration is not reported on the accrual basis of accounting. Our audit opinion, dated January 31, 1986, is included within the 1985 State of Minnesota Financial and Compliance Report on Federally Assisted Programs.

In our opinion, except for the issues addressed in Section II, recommendations #1, 2, 3, 5, 7, 8, 9, 11, 13, 14, 16, 17, 19, 20, 21, 22, 27, 28, 29, and 33, DNR's system of internal accounting control in effect on June 30, 1985, taken as a whole, was sufficient to provide management with

Senator Randolph W. Peterson, Chairman  
Members of the Legislative Audit Commission  
and  
Mr. Joseph Alexander, Commissioner  
Page 3

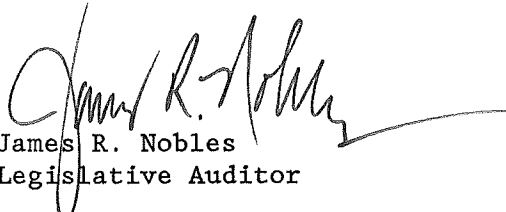
reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.


In our opinion, except for the issues addressed in Section II, recommendations #10, 12, 15, 18, 25, 26, 30, 31, and 32, for the year ended June 30, 1985, in all material respects, the DNR has administered its programs in compliance with applicable state finance-related laws and regulations and federal laws and regulations pertaining to the federal programs included in the Single Audit scope.

This audit report contains our recommendations developed during this audit and a reiteration of our prior recommendations which have not been implemented. They are denoted under the captions "PRIOR RECOMMENDATION NOT IMPLEMENTED," "PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED," and "PRIOR RECOMMENDATION MODIFIED." Section III of this audit report is a summary of the progress on all recommendations developed during our financial audit of Minnesota's fiscal year 1984 statements. The federal government is ultimately responsible for determining appropriate resolution of any Single Audit recommendations. The appropriate federal agency staff will contact your agency to review your efforts toward corrective actions. They will also notify you of their final resolution.

The recommendations included in this letter are presented to assist DNR in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our audit next year.

We would like to thank the Department of Natural Resources staff for the cooperation extended to us during this audit.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

February 26, 1986



DEPARTMENT OF NATURAL RESOURCES

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDINGS AND RECOMMENDATIONS	2
III. STATUS OF PRIOR AUDIT RECOMMENDATIONS	17
IV. AGENCY RESPONSE	22

AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
Jim Riebe	Auditor-in-Charge
Mike Anderson	Auditor
Theresa Dilworth	Auditor
Mike Hassing	Auditor
Jean Mellett	Auditor
Beth Widstrom-Anderson	Auditor

An exit conference was held with the following DNR staff on February 14, 1986:

Eugene Gere	Commissioner's Office
Karen Lochler	Commissioner's office
Bob Hodge	Enforcement Division
Pat Bauer	Enforcement Division
Anita Tayson	Enforcement Division
John Ernster	Engineering Division
Norm Kordell	Field Services Bureau
Al Yozamp	Financial Management Bureau
Larry Shannon	Fish and Wildlife Division
Joyce Nyhus	Forestry Division
Sharon Uphoff	Forestry Division
Katherine Owens	Internal Audit
Margaret Winkel	License Bureau
William Brice	Minerals Division
Dave Olson	Minerals Division
George Roberts	MIS
Ron Nickerson	Parks and Recreation
Paul Swenson	Trails and Waterways
Pam Albrecht	Waters Division



## DEPARTMENT OF NATURAL RESOURCES

### SECTION I. INTRODUCTION

The Department of Natural Resources (DNR) exists to perpetuate and enhance Minnesota's lands, waters, minerals, fish, wildlife and other natural resources for the benefit and enjoyment of the public. To accomplish these objectives, DNR is organized into six major divisions: Forestry, Waters, Parks and Recreation, Fish and Wildlife, Minerals, and Enforcement. Also, the Trails and Waterways unit exists to respond to public needs for recreational trails, waterways, and public water accesses.

The operations of the DNR are conducted by six regional offices located throughout the state. Each region has a regional supervisor for each of the major divisions and a regional administrator who provides overall coordination and support.

The Financial Management Bureau provides accounting and budgeting services for all programs administered by the department. These services include, among others: establishing and maintaining the chart of accounts on the Statewide Accounting System; coordinating the annual spending plan allocations; processing invoices for payment; depositing and recording receipts; computing and negotiating the annual federal indirect cost rate; and preparing financial statements for the Game and Fish Fund and federal programs. The bureau also coordinates the development and implementation of all financial management policies and procedures of the department. In addition to the centralized financial management function, accounting staff are located throughout the department and report directly to their respective division directors.

The DNR collects receipts from various sources, including the sale of recreational and commercial licenses, and timber and mineral resources from state-administered lands. During fiscal year 1985, the DNR collected approximately \$50,000,000. Of this total, \$30,000,000 was collected from license sales and \$2,700,000 and \$3,800,000 were collected from timber sales and mineral royalties, respectively.

Expenditures of the central office totalled approximately \$60,000,000 for fiscal year 1985. The major source of these expenditures was payroll.

## DEPARTMENT OF NATURAL RESOURCES

### SECTION II. CURRENT FINDINGS AND RECOMMENDATIONS

PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED: The administrative and internal controls over the department's programs need to be improved.

In recent years, we have reported deficiencies in administrative and internal controls for financial related duties which were recurring at the Department of Natural Resources (DNR). We felt that these deficiencies resulted from the decentralized accounting function at DNR and that management was not ensuring that controls were adequate and uniform throughout the department.

Currently, each division is responsible for the development of its own accounting procedures and the maintenance of related records. These individuals have varying backgrounds, not necessarily in accounting, and should be provided training in the use of the Statewide Accounting (SWA) system.

The DNR has initiated action to improve fiscal administration. The expertise of a new Financial Management Bureau administrator has been called upon to improve the financial management of the department. The department also plans to create two new positions, a federal coordinator and a financial management coordinator, to improve financial management and provide the necessary guidelines, and to coordinate training on fiscal-related issues. This includes the development of a comprehensive procedures manual which will provide uniformity among divisions, and detailed guidelines for administering the financial activities of the department. DNR fiscal staff have also met with the Department of Finance to discuss the use of state depositories for department receipts and the use of purchase orders for all purchases. They are closely monitoring the department's prompt payment performance. Also, during the past year, internal audit reviewed park receipts in three regions, Game and Fish Fund receipts, and to a limited extent, forestry receipts.

Due to the division staff performing accounting duties and the lack of direct fiscal authority, controls are not applied consistently throughout the department. These problems are evidenced by the following concerns:

- Federal reimbursement requests are not filed on a timely basis, in part because DNR has not been able to efficiently account for costs incurred by project.
- DNR could improve internal control over receipts by requiring the use of state depositories for all disciplines whenever feasible and strengthening internal control over receipts processed by divisions.

## DEPARTMENT OF NATURAL RESOURCES

- Throughout DNR, the occurrence date--the date goods or services were received--is not always being coded properly for expenditures. The occurrence date is critical in determining the state's liability for financial statement presentation at fiscal year end.
- The department is not always requiring that receipt of goods be documented prior to payment which ensures the correct goods were received in satisfactory condition. Also, some divisions are not paying invoices on time as required by Minn. Stat. 16A.184 and SWA Operating Policy and Procedure 06:05:01. This has resulted in DNR not meeting the statewide goal that 96 percent of expenditures are paid within 30 days.
- Divisions also need direction on what statewide accounting report to use as a basis for completing the federal financial status report (FSR). There is not adequate documentation to support the FSR's prepared by the Minerals Division for the Peat Resource/Research and Development Program (CFDA #81.037). Similarly, the federal requests for advance or reimbursement prepared by the Forestry Division do not contain actual costs as required by federal guidelines.

Centralizing the responsibility for accounting activities may provide better control over the financial activities of the department. It would also standardize and simplify the accounting and administrative procedures currently used.

### RECOMMENDATIONS:

1. *DNR should complete its plans to provide all employees responsible for accounting related duties with the necessary guidance and instruction to ensure that administrative and accounting controls are adequate.*

### Receipts

Internal accounting controls are practices and policies developed by an organization's administration to provide assurance that operations are conducted as specified and authorized by the administration, and that the assets of the organization are protected against loss or misuse. In order to meet these objectives, the controls should require that incompatible functions be segregated, adequate documentation be maintained, tasks and duties be described by detailed written procedures, and assets be safeguarded.

A good system of internal control over receipts is essential because money is an extremely sensitive asset which must be safeguarded from loss or misappropriation. Another control consideration is that receipts be properly recorded in the accounting system. This aspect is particularly relevant to DNR because of the fiduciary responsibilities it has in

## DEPARTMENT OF NATURAL RESOURCES

managing the trust fund lands and income from those lands. It is also important because many of the receipts DNR collects are dedicated for a specific purpose and the Legislature requires that the receipts be used only as authorized.

Due to the decentralized nature of DNR, we have organized the following comprehensive discussion of receipt internal control weaknesses by division. The presentation is not intended to emphasize the magnitude or severity of the concerns, since some relate to minor aspects of the department's financial operation. It is intended to provide a format so that DNR can readily establish responsibility for implementing these recommendations. In our opinion, many of these issues can easily be addressed by the department.

PRIOR RECOMMENDATIONS MODIFIED: Internal controls over receipts collected throughout the DNR need strengthening.

### Financial Management Bureau

In prior audits we recommended that in order to improve the timeliness of deposits, DNR should consider using state depositories for timber sales receipts collected in DNR forestry offices and for receipts collected by counties for game and fish licenses sold. During fiscal year 1985, the License Bureau significantly improved the timeliness in which receipts are deposited once they are received in the department. Depositories may not be necessary for license receipts but could be considered.

We also recommended that the state parks improve the timeliness of their deposits in order to comply with Minn. Stat. 16A.275 which requires deposits daily or when receipts aggregate \$250. The use of state depositories provides for more timely deposit of receipts which results in additional investment and interest earnings for the state. It also reduces the possibility of loss or theft since fewer individuals handle the receipts prior to deposit.

In the Central Office, some types of receipts, including license sales receipts, are submitted to the divisions before being sent to the Financial Management Bureau for processing. In the License Bureau, cross-country ski license and commercial fishing license checks are not restrictively endorsed "for deposit only" before being sent to fiscal. Similarly, confiscation checks received by the Enforcement Division are not restrictively endorsed. Many DNR offices throughout the state collect receipts, and controls would be improved if checks were restrictively endorsed at the first point they are received by DNR. Restrictive endorsement reduces the possibility of misappropriation. An alternative would be to require all miscellaneous types of receipts to be received by Financial Management instead of the divisions.

In addition to these central issues, receipts for the state's share of boat and water, and game and fish fines are sent directly to Financial Management from the counties for deposit. Financial Management records all cases in a manual ledger and subsequently reconciles receipts to

## DEPARTMENT OF NATURAL RESOURCES

arrest citations received from Enforcement. In some cases, counties submit both types of fines on the same report. Financial Management deposits these funds and does not always adjust the accounts based on the reconciliation of arrest citations (which indicates the appropriate account) to the manual ledgers. Accounts receivable for over 500 arrest citations totaling approximately \$16,500 were observed in the 1985 ledgers. Many of these citations have been outstanding for nearly a year and one county, Chisago, has not submitted any money.

Finally, a timber sales permit holder is entitled to a refund when the value of the timber harvested is less than the payments made. Sometimes the permit holder elects to apply the refund from one permit to another when different types of land, and therefore different funds and accounts, are involved. The timber sales section notifies the Financial Management Bureau of the transfer. However, financial management does not always make the adjustments to the accounts.

### RECOMMENDATIONS:

2. *The Financial Management Bureau should determine the most economic and efficient use of state depositories throughout DNR to ensure timeliness of deposits.*
3. *Financial Management should consider receiving all miscellaneous types of receipts directly to strengthen controls and ensure checks are promptly deposited and restrictively endorsed.*
4. *Financial Management should monitor boat and water, and game and fish fines and penalties that have been deposited into the wrong account to determine if a year-end adjustment would be necessary.*
5. *Financial Management should monitor and initiate action for the disposition and collection of overdue fines and penalties.*
6. *The Financial Management Bureau should adjust the accounting records for refunds on timber sales applied to permits for timber on other types of land if necessary.*

### License Bureau

The License Bureau collects the majority of DNR receipts through the sale of game and fish and recreational licenses. There is a lack of separation of duties over watercraft registrations and other miscellaneous receipts because deposits are prepared by the counter supervisor, who supervises the cashiers and is responsible for reconciling the daily counter receipts to the batch balance reports generated by Financial Management (although this reconciliation was not performed during fiscal year 1985).

Incompatible duties also exist regarding cross-country ski licenses where the same individual obtains the receipts and supporting documentation, issues the licenses, and reconciles the total licenses issued, sold, and returned. Currently, cross-country ski license receipt documentation is

## DEPARTMENT OF NATURAL RESOURCES

not reconciled to the batch balance reports from fiscal. Incompatible duties should be reassigned, if possible, to ensure that the same individual cannot perpetrate and conceal errors or irregularities. Reconciliations performed by someone independent of the receipt process would also strengthen controls by ensuring that all receipts are deposited and coded properly.

The following concerns also pertained to reconciliations which should be performed by the License Bureau:

- In past years, the DNR License Bureau has not reconciled total licenses printed, issued, sold, and returned. Licenses should be reconciled to ensure that all licenses have been accounted for. Although no reconciliation was done for the 1984 license year, the license bureau staff intend to use the improved recordkeeping capabilities of the new license system to reconcile licenses for license year 1985.
- Computer coding errors in the new license system occurred on fishing surcharge and waterfowl stamp receipts. When a computer system is implemented or modified, source documents should be reconciled to computer output on a test basis to ensure the system is summarizing receipts properly.

Another License Bureau control problem is that a few counties continue to file late sales reports. This causes a loss of income to the Game and Fish Fund and to the state. The License Bureau should consider seeking legislation to enable them to charge penalty and interest on amounts outstanding due to delinquent filings. Other alternatives would be to ship a limited number of licenses to delinquent counties until reports are filed, or require counties to pay for licenses in advance.

Finally, the commerical fishing license receipts are sent to several DNR offices before being deposited. This practice delays the deposit of the receipts. It also may result in lost or misplaced license fees.

### RECOMMENDATIONS:

7. *A person independent of the deposit process should reconcile counter cash register tape totals, watercraft registrations, and cross-country ski license receipts to deposit slips and batch balance reports from the Financial Management Bureau to ensure that receipts are deposited and recorded properly in the accounting records.*
8. *The DNR License Bureau should complete an annual reconciliation of all licenses printed, issued, sold, and voided.*
9. *License receipt system modifications should be tested to ensure that the system is summarizing receipts correctly.*
10. *The License Bureau should ensure that all counties are filing license receipts on a timely basis.*

## DEPARTMENT OF NATURAL RESOURCES

11. *The License Bureau should promptly deposit all commerical fishing license receipts.*

### Enforcement Division

The Division of Enforcement ensures compliance with natural resource laws, rules, regulations, and Commissioner's Orders. The division generates revenue through fines and penalties, confiscations and subsequent sales, and by conducting safety training seminars for firearms, snowmobiles, and off-road vehicles certifications.

Conservation officers collect money in the field from the sale of game that has been taken illegally or is killed on the road. Confiscation receipts totalled approximately \$80,000 during calendar year 1985. These receipts are sent to the Enforcement Division at the central office for processing and then forwarded to Financial Management for deposit. The officers are not required to account for all pre-numbered confiscation and sales receipts issued to them, and only have to file paperwork once a month. The central office does not date-stamp the incoming documentation or keep a record of receipts sent to Financial Management for deposit. Current procedures are not adequate to ensure that all receipts from confiscations and sales are being collected or deposited in a timely manner.

Receipts are also processed through Enforcement for safety training classes conducted by private instructors. After collection, the safety training receipts are routed through several DNR offices before they are received at the central office for deposit. This procedure delays the deposit process.

Currently, receipts are kept in an unlocked desk drawer in Enforcement until deposit and are not deposited as frequently as required by Minn. Stat. 16A.275. Also, receipt ledgers are prepared after the deposit is made and the documentation is returned from Financial Management. A listing of receipts should be prepared by Enforcement before they are sent to Financial Management and then reconciled to Financial Management deposit records to ensure that all money has been properly deposited to the correct accounts and funds in the correct dollar amounts. An alternative procedure could require receipts to be sent directly to Financial Management for deposit.

### RECOMMENDATIONS:

12. *Enforcement should:*

- *prepare a listing of all receipts sent to Financial Management to be verified with revenue accounting batch reports to ensure that all monies were correctly deposited;*

## DEPARTMENT OF NATURAL RESOURCES

- *ensure that all receipts are deposited on a daily basis or when they total \$250 or more; and*
  - *date-stamp all incoming confiscation receipt documentation to aid in prompt deposit analysis.*
13. *To improve controls over safety training class receipts, the Enforcement Division should:*
- *deposit these receipts at the earliest opportunity, that is, by the first DNR office to receive the money;*
  - *safeguard receipts waiting for a deposit by restrictively endorsing checks with "for deposit only," and by securing receipts in a locked drawer, etc. until they are deposited.*

### Forestry Division

The Forestry Division collects revenue from the sale of timber on state lands. During fiscal year 1985, approximately \$3.8 million was generated from the sale of timber. The timber sales section generally only prepares invoices for timber sales once each year on approximately the anniversary date of the permit. Since DNR only bills once a year instead of several times throughout the year as timber is harvested, the state loses investment and interest income.

Before a timber permit is issued, a bond is required to be submitted to DNR by the applicant. The bonding ensures that DNR will receive the value of the timber it has offered for sale. However, sometimes uncollectible accounts do occur. The timber sales section has never written-off uncollectible accounts. Approximately 95 accounts at least six years old remain on the accounts receivable records. Minn. Stat. 10.15 allows for the write-off of uncollectible accounts over \$500 after three years with the approval of the Executive Council.

### RECOMMENDATIONS:

14. *The Forestry Division should consider billing more frequently than once each year for timber harvested.*
15. *Uncollectible accounts receivable should be written off in accordance with Minn. Stat. 10.15.*

PRIOR RECOMMENDATIONS NOT IMPLEMENTED: Federal reimbursement requests are not submitted on a timely basis and payroll expenses eligible for federal reimbursement are not adequately documented.

DNR uses the same appropriation accounts to pay for expenditures of both federal and state projects. The Fish and Wildlife Division maintains manual records to accumulate expenditures for federal projects (Pittman-Robertson, CFDA #15.611 and Dingell-Johnson, CFDA #15.605) because the

## DEPARTMENT OF NATURAL RESOURCES

expenditures are combined on Statewide Accounting (SWA). This manual system results in delays in requesting reimbursements from the federal government for Fish and Wildlife Projects. These requests are usually submitted quarterly; however, the costs are often incurred by the state up to three months or more before the request is prepared.

In the Forestry Division, during the federal fiscal year ended September 30, 1985, federal reimbursement requests were only submitted three times for the BWCA (Boundary Waters Canoe Area, CFDA #10.669) program and not more than once for each of the Cooperative Forestry Programs (CFDA #10.664). As of January 9, 1986, a minimum of \$788,718 could have been requested from the federal government for grants awarded for the period ended September 30, 1985. Also, since federal and state costs are charged to the same accounts, forestry completes the federal request for advance or reimbursement on an estimated basis even though the federal government requires actual costs to be reported.

The Bureau of Engineering incurs most of the LAWCON (Outdoor Recreation Acquisition Development and Planning Program, CFDA #15.916) expenditures. The supporting documentation is sent to the Division of Parks and Recreation where it is sorted and then forwarded to the Planning Division. This division then summarizes the expenditures by project and prepares the federal request for reimbursement. Documentation for one LAWCON expenditure was sent to Parks and Recreation on December 7, 1984, received there on December 11 but not received in Planning until June 3, 1985. The Planning Division submitted the request for reimbursement on June 6. Engineering should send a copy of the necessary documentation directly to the Planning Division to avoid unnecessary delays in submitting federal reimbursement requests.

A cost accounting system able to separately summarize state and federal costs by project would enable DNR to prepare federal reimbursement requests more timely and on an actual cost basis as required by the federal government. Such a system would prevent the state from losing investment and interest income resulting from delays in submitting federal reimbursement requests. It could also significantly improve the DNR audit trail for payroll costs eligible for federal reimbursement.

Last year, we reported that payroll expense documentation for the Cooperative Forestry Assistance Programs needed improvement because the monthly time summary reports were not signed by supervisors and could not be reconciled to the biweekly time reports. DNR is developing a cost accounting system which should eliminate the need for the time summary reports. We also reported that payroll expense transfers, in particular for the BWCA projects, were not adequately documented to ensure that employees actually worked on BWCA projects. This year payroll expenses transferred into BWCA accounts were determined to be legitimate even though the supporting documentation was poor. The cost accounting system being developed should provide sufficient documentation for most payroll expense transfers. However, in some cases DNR will have to require additional documentation before transfers are made.

## DEPARTMENT OF NATURAL RESOURCES

DNR is currently in the process of testing the cost accounting system which will be used to account for project costs. The Forestry Division has tested the system for two payroll periods and by April 1, 1986, the system is expected to be operational for the Forestry and Fish and Wildlife Divisions. Once implemented, the federal government probably will approve the use of a letter-of-credit system which will significantly decrease the length of time between when the state requests and receives federal reimbursement. Currently, the federal government is not reimbursing DNR within 30 days from when it receives the request for reimbursement as required by federal grant guidelines.

### *RECOMMENDATIONS:*

16. *DNR should complete the development and implementation of the cost accounting system.*
17. *Reimbursement requests for all federal grants should be submitted as often as is allowable and reasonable under applicable federal guidelines, especially for Pittman-Robertson, Dingell-Johnson, BWCA, Cooperative Forestry, and LAWCON programs.*
18. *The Forestry Division should prepare federal reimbursement requests based on actual costs.*
19. *The audit trail for payroll costs charged to federal programs, including payroll expense transfers, should clearly indicate that the costs were charged to the correct program, especially in the Forestry Division.*

PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED: Administrative controls over the Federal Aid in Wildlife Restoration Program (CFDA# 15.611) and the Federal Aid in Sport Fish Program (CFDA# 15.605) need improvement.

The Federal Aid in Wildlife Restoration Program commonly referred to as Pittman Robertson (P-R) and the Federal Aid in Sport Fish Restoration Program commonly referred to as Dingle Johnson (D-J) provide funding for the conservation and management of wildlife and sport fish. DNR is reimbursed for a percentage of the costs incurred for projects approved by the federal government.

Our review of a sample of P-R federal reimbursement requests revealed that mathematical errors were made in calculating indirect costs. DNR lost approximately \$2,600 in indirect costs on these reimbursement requests because of such errors. Also, an adequate audit trail does not exist from the monthly expense report forms to the source documents for supplies and expenses (other than payroll) that are submitted for reimbursement.

Equipment usage also qualifies for federal reimbursement. Operational Order #46 established rates to charge for department-owned equipment for determining project costs. Currently, only the D-J program is submitting

## DEPARTMENT OF NATURAL RESOURCES

reimbursement requests for equipment used on federal projects. Our review of the equipment use rate schedule indicated that the rates have not been updated since June 1981.

### RECOMMENDATIONS:

20. *Reimbursement requests should be reviewed for accuracy before being submitted to the federal government.*
21. *Supplies and expense costs recorded on the federal project expense forms should be referenced to supporting documentation.*
22. *The equipment rate schedule should be updated periodically and the rates submitted by the area and regional offices should be monitored to ensure that current equipment rates are being used.*

PRIOR RECOMMENDATION NOT IMPLEMENTED: DNR does not prepare all state and federal financial statements on the accrual basis of accounting and/or does not provide the relevant financial data to the Department of Finance (DOF).

DNR prepares the financial statements for the Game and Fish Fund, and provides information to the DOF pertaining to other funds. DNR also prepares the financial statements for all material and immaterial federal programs. DNR included most of the necessary accruals required by generally accepted accounting principles (GAAP) on the Game and Fish Fund financial statements. However, the Enforcement Division did not report the federal aid receivables to the Fish and Wildlife Division for Firearm Safety program expenditures that are eligible for federal reimbursement.

DNR also has not submitted accounts receivable and deferred revenue data to DOF for timber sales and iron ore royalties which are accounted for in the Permanent School and the Special Revenue Funds. The National Council on Government Accounting Statement 1 requires that Permanent School Fund revenues be recognized when an exchange takes place and the earnings process is complete. It requires that revenues of the Special Revenue Fund be recognized when receipts are susceptible to accrual (measurable and available). Therefore, if material adjustments are necessary DNR should inform DOF of:

- the value of timber cut through June 30 for which payments have not been received and iron ore royalties and rents received in July which pertain to the previous quarter (accounts receivable); and
- payments on timber sales in excess of the value of timber cut at June 30, and for advance payments of iron ore royalties and rents (deferred revenue).

Numerous adjustments to the financial statements were necessary. Although none were large, they indicate the need to improve. Timber sales amounts were incomplete because manual records for regular auction accounts receivable are not maintained and the new forestry computer system cannot

## DEPARTMENT OF NATURAL RESOURCES

account for timber sales. Iron ore rents and royalties are manually accounted for and the adjustments can be easily calculated.

The DOF also requires that the federal statement of expenditures be prepared on the accrual basis. However, DNR's inability to determine total federal program costs results in a major portion of Pittman-Robertson (CFDA #15.611) program expenditures not being reimbursed until the following fiscal year. Therefore, program expenditures eligible for reimbursement may not have been identified and are not reported. As a result, P-R statements currently report expenditures for which reimbursements were received during the fiscal year, regardless of the period in which the expenditure occurred.

### *RECOMMENDATIONS:*

23. *The Enforcement Division should report Firearm Safety Program federal aid receivable amounts to be included in the Game and Fish Fund financial statements.*
24. *DNR should work with the DOF to:*
  - *define revenue recognition criteria for timber sales, and determine a method of calculating accruals for timber sales and other material programs; and*
  - *determine the best method of maintaining and recording program expenditures so that federal expenditure financial statements can be prepared on the accrual basis of accounting.*

The Parks and Recreation Division is not ensuring compliance with the Tower Soudan lease agreement with the University of Minnesota .

The Parks and Recreation Division of DNR and the University of Minnesota (U of M) entered into a lease agreement which provides for the U of M to build an underground laboratory in the iron mine at Tower Soudan State Park from which scientific and educational studies are to be conducted. The agreement requires the University to reimburse the state "for all costs resulting from the University's use of the underground and surface."

The lease agreement requires that the University:

- give the state \$50,000 to be used solely for paying costs necessitated by the lease;
- maintain this account balance as close as possible to \$50,000 during the period of heavy construction; and
- reimburse the state within 30 days after receipt of billings for additional costs.

## DEPARTMENT OF NATURAL RESOURCES

These lease provisions are not being met. The University of Minnesota has paid approximately \$155,000 to DNR, including an initial payment of \$25,000 and reimbursements of \$130,000. These payments have not been made within the 30 day lease requirement. In addition, one Parks and Recreation employee has estimated the U of M owes approximately \$180,000 at this time in order to achieve the account balance of \$50,000 and to pay DNR for expenditures not yet reimbursed. On January 23, 1986, the account required to be maintained at \$50,000 had a negative balance of \$17,969.

University of Minnesota personnel explained that they were not able to maintain the \$50,000 account balance because DNR does not inform them of payments from the account. They also requested that sufficient documentation be submitted with the statements so they are able to verify the charges. The U of M staff questioned the method DNR uses in calculating some of the amounts due from the University and felt the computation was not always done in accordance with the lease provisions. Documentation supporting the statements is required according to the terms of the lease agreement. By not requiring timely reimbursements and maintenance of the \$50,000 account balance, DNR is using its financial resources to temporarily fund the University's Tower Soudan project.

### RECOMMENDATIONS:

25. *The DNR needs to establish billing procedures which conform to the terms of the Tower Soudan lease agreement and which provide for adequate information to be given to the U of M, including documentation for charges and the status of the U of M account managed by DNR.*
26. *The DNR should monitor the financial transactions pertaining to the lease with the U of M and ensure that reimbursements from the U of M are timely and that the U of M maintains the required \$50,000 account balance.*

### Inventory management at the Southern Service Center (SSC) needs to be improved.

The SSC was established to provide a central supply and equipment center for goods frequently used by DNR. The center promotes cost savings through central purchasing and quantity discounts. Inventory management is also strengthened by having a central warehouse which eliminates the need for extensive inventory supplies and records at field locations.

Our review indicated weaknesses in several areas of inventory management. Most importantly, the SSC warehouse had over 140 supply and equipment orders from DNR field personnel which were waiting to be filled. Many had been held for over six months, even though the SSC policy requires a five day turnaround. SSC personnel acknowledged the backlog of orders and explained that turnover of key personnel left the warehouse understaffed and unable to promptly process all orders. They are currently establishing procedures to alleviate this backlog.

## DEPARTMENT OF NATURAL RESOURCES

Our review also included a spot-check of physical inventory which was reconciled to the SSC perpetual inventory records. Of the 21 items counted, five did not agree with the recorded amounts. SSC personnel could not account for the differences. An efficiently operating perpetual inventory system should provide an accurate count of all inventory items at any point in time. The current SSC system does not include reorder points or location codes on the perpetual records. Also, the warehouse does not use location identifiers for storage bins. Reorder points lower the cost of inventory that must be kept on hand. Location codes promote a neat and organized storage facility and ease the administration of the inventory. These inventory management techniques are required by the Consumable Inventory Management Program Manual developed by the Inventory Management Division of the Department of Administration.

Since the SSC is one of the major inventory warehousing and distribution centers in DNR, it is important that its inventory management activities be effective and properly controlled.

### *RECOMMENDATIONS:*

27. *SSC should process all backorders promptly and comply with the five day turnaround policy on all future orders.*
28. *SSC should follow established procedures for the recording and accounting of inventories so records reflect accurate data.*
29. *Location codes and reorder points should be established for all inventoried items.*

### Some programs administered by DNR are not in compliance with legislative requirements.

According to Minnesota Statute, the pheasant stamp (Minn. Stat. 97.4843), waterfowl stamp (Minn. Stat. 97.4841), and trout stamp (Minn. Stat. 97.4842) revenue is to be used for development, restoration, maintenance, and preservation of habitat and species and necessary related administrative costs. For example, the statutes provide for pheasant stamp revenue to be used for "promotion and practice of development, restoration, maintenance, and preservation of suitable habitat for pheasants on public and private lands and the reimbursement of landowners for setting aside lands for pheasant habitat and the expenditure of funds on public and private lands to provide pheasant habitat;" and "necessary related administrative and personnel costs in an amount not to exceed ten percent of the annual deposits into the game and fish fund attributable to the sale of stamps." Fish and Wildlife Division staff responsible for the pheasant stamp program have monitored compliance with this statute, but administrative expenditures exceeded statutory limits by \$700 during fiscal year 1985 because staff did not limit the expenditures to ten percent of "annual" deposits. DNR staff felt the annual deposit limitation was intended as a general guideline and should not be interpreted more strictly because of the wide fluctuations in pheasant stamp receipts from year to year. However, we believe the statutory language clearly establishes a ten percent limitation.

## DEPARTMENT OF NATURAL RESOURCES

The migratory waterfowl and trout stamp programs have similar limits on administrative costs. The limitation has not been exceeded for these programs but DNR staff have not monitored program expenditures to ensure statutory compliance. Migratory waterfowl stamp funds were used in fiscal year 1985 to pay some travel expenses of the Engineering Bureau in exchange for other engineering services rendered. Because the services provided by the Engineering Bureau were not documented, we do not know whether the travel expenses paid equal the services provided. To maintain control over program expenditures and ensure that waterfowl funds are paid only for authorized purposes, the Engineering Bureau should pay for its travel expenses and charge other divisions for services rendered if necessary.

Another statutory issue pertains to cross-country ski license receipts administered by the License Bureau. Minn. Stat. 85.41, Subd. 2 provides for state sales agents of annual cross-country ski licenses to retain four percent of receipts for administrative costs. This is similar to the administrative fee retained by agents for selling other types of Minnesota licenses. However, the statute does not provide for agents to retain four percent of daily cross-country ski licenses sold. Cross-country ski licenses are the only type of daily license sold in Minnesota. During fiscal year 1985, approximately \$500 was retained by agents from sales of daily cross-country ski licenses sold.

### RECOMMENDATIONS:

30. *The Fish and Wildlife Division should:*

- *seek legislation to clarify the statutory language pertaining to the pheasant, waterfowl, and trout stamp programs, in particular the definition of administrative costs and annual deposits; and*
- *develop procedures for monitoring administrative expenditures of these programs to ensure compliance with statutory guidelines.*

31. *The License Bureau should seek legislation to amend Minn. Stat. 85.41, Subd. 2 to allow agents to retain four percent of daily cross-country ski license sales.*

### PRIOR RECOMMENDATION NOT IMPLEMENTED: DNR has not established controls to ensure compliance with the provisions of the Davis-Bacon Act.

Previously, we recommended that DNR monitor compliance with the federal Davis-Bacon Act which requires that the prevailing wage rate be paid to mechanics and/or laborers working on federally assisted contracts in excess of \$2,000 for construction, alteration, and/or repair. While the federal government has considered this recommendation resolved, our review of contracts and discussions with DNR staff in the Bureau of Engineering and Internal Audit indicate that DNR is not monitoring compliance with the Act.

DEPARTMENT OF NATURAL RESOURCES

RECOMMENDATION:

32. *DNR Internal Audit should verify that the prevailing wage is being paid by construction contractors and subcontractors who work on federally assisted projects in accordance with provisions of the federal Davis-Bacon Act.*

PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED: DNR has not developed written procedures for the administration of indirect costs.

U.S. OMB Circular A-87, "Cost Principles for State and Local Governments," provides that departmental and central service agency indirect costs may be charged to federal programs, and describes various methods for obtaining reimbursement of these costs. Minn. Stat. Section 16A.127, Subd. 4 also states:

"An executive agency's application for federal money shall include necessary submissions to get both statewide and agency indirect cost money. The indirect cost submission must have the prior approval of the commissioner. An indirect cost submission is unnecessary if the executive agency convinces the commissioner that the submission is not economical."

DNR submits an indirect cost proposal to the U.S. Department of the Interior for approval. The indirect cost proposal summarizes the expenses attributable to both the Department of Finance's Statewide Cost Allocation Plan for central services and DNR's indirect costs. The approved indirect cost rate can then be applied to all federal reimbursement requests.

DNR's application to the federal government for indirect costs has not been administered consistently for all federal programs. Indirect cost reimbursements have not always been requested for some federal programs in the Forestry Division or for the LAWCON federal program. Forestry intends to request indirect cost reimbursement for its programs during fiscal year 1986. Also, the Peat Resource/Research and Development Program (CFDA #81.037) administered by the Minerals Division may have lost approximately \$29,000 in indirect cost reimbursement by not requesting approval at the approved indirect cost rate. In the past, DNR has stated that if indirect costs were claimed on federal programs, that direct program costs would be reduced proportionately. However, each federal program is required by law to assume its share of statewide and agency indirect costs.

The method of preparing the indirect cost proposal is complex and should be well-documented. Similarly, a written department policy should ensure that all divisions in DNR request reimbursement for indirect costs when applying for federal assistance.

RECOMMENDATION:

33. *DNR should develop a written policy and procedures for the administration of federal indirect costs. The policy should address statewide and departmental indirect costs, the preparation of the indirect cost proposal, and should be consistent with the provisions of Minn. Stat. Section 16A.127 and the specific requirements for each federal program.*

DEPARTMENT OF NATURAL RESOURCES

SECTION III. STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND

PROGRESS TOWARD IMPLEMENTATION

The administrative and internal controls over the department's programs are inadequate.

1. DNR should provide all employees responsible for accounting-related duties with the necessary guidance and instruction to ensure that administrative and accounting controls are adequate.

*Recommendation Partially Implemented. See current recommendation #1.*

2. DNR should consider restructuring the organization so that all accounting functions are handled by the Financial Management Bureau.

*Recommendation Withdrawn. DNR is restructuring the Financial Management Bureau which should improve financial management throughout the department.*

3. The internal auditors should review the procedures in the divisions to determine whether controls are adequate.

*Recommendation Substantially Implemented. The internal auditors have reviewed several areas in DNR. They should continue to review controls throughout DNR.*

Administrative controls over the Federal Aid in Wildlife Restoration Program (CFDA #15.611) and the Federal Aid in Sport Fish Program (CFDA #15.605), need to be improved.

4. DNR should attempt to revise their accounting structure, use the cost code fields under the current structure, or establish an alternate method of accumulating project costs so that duplicate records can be eliminated.

*Recommendation Partially Implemented. See current recommendations #16 and 17.*

5. Supporting documentation should be improved so that:

- schedules are maintained on the balance remaining on the apportionment for each year and reconciled to the reports received from the federal government; and
- information provided on the federal project expense forms is referenced to the supporting documents.

*Recommendation Partially Implemented. See current recommendation #21.*

DEPARTMENT OF NATURAL RESOURCES

6. The regional and area offices should use the current equipment use rates.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendation #22.*

7. Reimbursement requests should be reviewed for accuracy and submitted on a more timely basis.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendations #17 and 20.*

Payroll expense documentation for the Cooperative Forestry Assistance Program (CFDA #10.664) need improvement.

8. DNR should consider using the cost code capabilities of the state payroll system. If this is not feasible, the time summary reports should:

- be signed by the supervisor certifying the hours worked on various projects; and
- be reconciled to the biweekly time reports and include explanations of any discrepancies.

*Recommendation Partially Implemented. See current recommendation #16.*

Some payroll expense transactions are not adequately documented.

9. Expense transfers should be made when appropriate. They should be supported by documentation containing sufficient information to assure that costs are being allocated to the correct program.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendation #19.*

The Forestry Division does not submit reimbursement requests for federal grants on a timely basis.

10. Reimbursement requests for federal grants should be submitted as often as is allowable and reasonable under applicable federal guidelines.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendation #17.*

The administration of timber sales by the Forestry Division has several weaknesses.

11. DNR should analyze the receipts collected in each area and determine whether checks received in area offices should be deposited in the nearest state depository rather than being mailed to St. Paul for deposit.

*Recommendation Partially Implemented. See current recommendation #2.*

DEPARTMENT OF NATURAL RESOURCES

12. An annual reconciliation of informal sales permits between area offices and the St. Paul office should be completed with an accounting for permits sold, ordered, or lost. In order to facilitate the reconciliation, informal sales permits should be pre-numbered.

*Recommendation Withdrawn. Internal control appears adequate to ensure that all timber sales receipts are accounted for because only tracts appearing on the DNR "planned cut list" are eligible for sale (unless otherwise specifically authorized) and DNR officers inspect timber harvesting sites for valid permits.*

Controls over the administration of the Outdoor Recreation Acquisition Development and Planning Program (CFDA #15.916) are inadequate to ensure that complete and accurate records are maintained.

13. DNR should review the current account structure with the objective of recording all LAWCON expenditures in specific accounts.

*Recommendation Implemented. DNR has established specific accounts to be used for the LAWCON program. This implementation has not received final acceptance by the federal agency.*

14. The Planning Division of DNR should submit reimbursement requests for LAWCON projects as soon as the expenditures are incurred and necessary documentation is available.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendation #17.*

DNR needs to account for receipts in a timely manner.

15. Receipts from license sales by the counties should be deposited immediately upon receipt.

*Recommendation Implemented.*

16. DNR should consider the possibility of requiring counties to use state depositories for license sale receipts.

*Recommendation Modified. See current recommendation #2.*

17. A continued effort should be made to reconcile fines and penalties on a current basis.

*Recommendation Implemented.*

DEPARTMENT OF NATURAL RESOURCES

The license center of the Department of Natural Resources does not adequately record and account for licenses.

18. The DNR license center should complete on an annual basis, an inventory reconciliation of all licenses purchased, remaining, issued, and voided, by the license center. This inventory reconciliation should then be compared with license sale receipts recorded in the Statewide Accounting System.

*Recommendation Modified. See current recommendation #8.*

There are not sufficient procedures to properly monitor or coordinate certain payments made on behalf of the DNR regional offices by the DNR service centers.

19. The responsibility for administrative expenditures should be clearly defined and coordinated between the regional offices and the service centers.

*Recommendation Implemented.*

Internal controls over imprest cash could be improved.

20. Someone other than the regional managers, such as the internal auditor, should periodically test the imprest cash reconciliations submitted by the regional business managers.

*Recommendation Implemented.*

DNR is not consistently accounting for federal reimbursement of indirect costs.

21. DNR should develop a written policy concerning the administration of federal indirect costs. The policy should address statewide and departmental indirect costs, and should be consistent with the provisions of Minn. Stat. Section 16A.127 and the specific federal requirements for each program.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendation #33.*

22. DNR should use the most current Department of Finance Statewide Indirect Cost Allocation Plan to ensure collection of the appropriate federal reimbursement of indirect costs.

*Recommendation Implemented. DNR is using the current cost allocation plan for fiscal year 1986. This recommendation is considered resolved by the U.S. Department of the Interior.*

DEPARTMENT OF NATURAL RESOURCES

DNR needs to prepare the audited federal program financial statements on the accrual basis.

23. DNR should work with the Department of Finance to determine the best method of maintaining and recording program expenditures for financial statement preparation.

*Recommendation Partially Implemented. See current recommendation #24.*

The Department of Natural Resources is not reporting all year-end accruals.

24. DNR should provide the DOF with any pertinent departmental information, including year-end accruals, for inclusion on the state's financial statements.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendations #23 and 24.*

DNR has not established controls to ensure compliance with the provisions of the Davis-Bacon Act.

25. Controls should be established to ensure compliance with the federal Davis-Bacon Act. DNR should verify on a sample basis, that the prevailing wage is being paid by construction contractors and subcontractors who work on federally assisted projects.

*RECOMMENDATION NOT IMPLEMENTED. See current recommendation #32.*

Procedures for fee review at the Department of Natural Resources should be improved.

26. DNR should comply with Minn. Stat. Section 16A.128 by reviewing all fee charges and related costs on a regular basis. The fees charged should be sufficient to cover the costs.

*Recommendation Implemented.*



STATE OF  
MINNESOTA  
DEPARTMENT OF NATURAL RESOURCES

500 LAFAYETTE ROAD, ST. PAUL, MINNESOTA 55146

OFFICE OF THE  
COMMISSIONER

DNR INFORMATION  
(612) 296-6157

February 26, 1986

Mr. James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
First Floor, Veterans Service Building  
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Following is a detailed response to each finding contained in the preliminary audit report for the Department of Natural Resources for the period July 1, 1984 through June 30, 1985. We have made each response as brief and specific as possible and have not included some of the problems and extenuating circumstances underlying these findings.

Recommendation #1

The Financial Management Bureau will create a professional-level position devoted entirely to financial procedures development and training. This position, unencumbered by operational problems, will have the necessary time to develop and maintain a written procedures manual and conduct ongoing training for all levels in the DNR.

Person Responsible: Wayne Frankenberg  
Completion Date : July 1, 1986 (position filled)

Recommendation #2

The Financial Management Bureau is examining with the Forestry Division the extent that depositories can be used for timber sales and campground receipts and is working with the Parks and Recreation Division to make their use of depositories more efficient. The objective is to maximize use of depositories while retaining the management information requirements of the DNR Revenue Accounting System on the IBM System 38.

Person Responsible: John Bouthilet  
Completion Date : October 1, 1986

Recommendation #3

The Financial Management Bureau receives all monies directly, except confiscations and firearm/snowmobile safety training receipts. Occasionally, miscellaneous receipts are sent to a discipline or region, so all disciplines will be reminded to immediately forward all monies to the Financial Management Bureau.

Person Responsible: John Bouthilet  
Completion Date : April 1, 1986

Recommendations #4 and #5

The arrest ledgers involve the manual posting of over 30,000 violations and fines for which we are not adequately staffed. Although we do monitor arrest ledgers for errors and overdue fine monies, errors occur as indicated in these findings. We intend to automate this process to enable us to closely monitor arrests and fines, to produce reports, and to stay current, without additional staffing.

Persons Responsible: John Bouthilet, Phil Heir  
Completion Date : August 1, 1986

Recommendation #6

Approximately 25 refunds per year require land status adjustments in the accounting system, and the dollar amount is not large. The method that the Forestry Division's Timber Sales Section uses to notify the Financial Management Bureau will be clearly delineated through written procedures and forms.

Person Responsible: John Bouthilet  
Completion Date : May 1, 1986

Recommendation #7

A clerk, independent of the deposit process, has been assigned to reconcile the counter cash register tape totals, watercraft registrations and cross-country ski license receipts to deposit slips and batch balance reports.

Person Responsible: Margaret Winkel  
Completion Date : Implemented

Recommendation #8

The License Bureau will complete annual reconciliation of all licenses printed, issued, sold and voided at the end of the 1985 license year.

Person Responsible: Karen Beckman  
Completion Date : June 15, 1986

Recommendation #9

Future system modifications will be tested as recommended.

Person Responsible: Margaret Winkel  
Completion Date : As Required

Recommendation #10

The License Bureau will continue to monitor monthly filing of license receipts and will restrict license shipments to those counties not current on their monthly sales report filing.

Person Responsible: Karen Beckman  
Completion Date : March 1, 1986

Recommendation #11

Starting with the 1986 license year on March 1, 1986, commercial licensing will be automated and receipts deposited daily.

Person Responsible: Margaret Winkel  
Completion Date : March 1, 1986

Recommendation #12

The Enforcement Division will prepare the listing of all receipts sent to the Financial Management Bureau and verify batch reports provided by the Financial Management Bureau. Enforcement will send receipts to the Financial Management Bureau for deposit daily or when they total \$250 or more and will date stamp all incoming confiscation receipt documentation.

Person Responsible: Robert Hodge  
Completion Date : March 15, 1986

Recommendation #13

The Enforcement Division has ordered a restrictive endorsement stamp and arranged for locked drawer safekeeping.

Person Responsible: Robert Hodge  
Completion Date : Implemented

Recommendation #14

The Forestry Division's Timber Sales Section does not have staffing to prepare manually calculated invoices more frequently than once per year, and they are looking at automating the billing process.

Person Responsible: Bill Berndt  
Completion Date : August 1, 1986 (automation study completed)

Recommendation #15

The Forestry Division's Timber Sales Section will submit uncollectable timber permits to the Attorney General by July 1, 1986, in accordance with M.S. 10.15.

Person Responsible: Bill Berndt  
Completion Date : July 1, 1986

Recommendation #16

DNR will begin practice on the statewide accounting cost accounting system on April 2, 1986, for the Forestry Division and Fish and Wildlife Division. New timesheets are being printed, training is scheduled and coding schemes established. The initial emphasis is on documenting federally reimbursable expenditures, and other disciplines will be brought on the system when appropriate.

Persons Responsible: Joyce Nyhus, Wilma MacKenzie  
Completion Date : July 1, 1986

Recommendation #17

The Forestry Division will bill monthly for BWCA reimbursements upon approval of the grant application each year. Cooperative Forestry grants will be billed quarterly.

All Pittman-Robertson and Dingell-Johnson projects will be billed monthly, except where project expenditure totals do not meet federal minimums.

Persons Responsible: Joyce Nyhus, Wilma MacKenzie  
Completion Date : March 31, 1986

Recommendation #18

BWCA reimbursements are based on actual costs. Other smaller grant billings are based on estimated costs with a year-end cleanup based on actual costs. The cost accounting system will enable billings based on actual costs for all programs.

Person Responsible: Joyce Nyhus  
Completion Date : October 1, 1986

Recommendation #19

The Forestry Division will provide field personnel with written procedures to strengthen supporting documentation for payroll expense transfers.

Person Responsible: Joyce Nyhus  
Completion Date : August 1, 1986

Recommendation #20

Reimbursement requests for Dingell-Johnson and Pittman-Robertson will be reviewed by a second individual and approved by a third person before submission.

Person Responsible: William Longley  
Completion Date : Implemented

Recommendation #21

Employees will be required to provide the Federal Aid Unit with supporting documentation for each expense recapitulation form.

Person Responsible: William Longley  
Completion Date : Implemented

Recommendation #22

The Field Services Bureau, along with representatives of key disciplines, will update the equipment rate schedule on an annual basis beginning July 1, 1986.

Person Responsible: Joe Daninger  
Completion Date : July 1, 1986

Recommendation #23

The firearm safety training coordinator position vacancy delayed reporting of federal aid receivables. The position should be filled by March 15, 1986, and federal aid receivable amounts will be reported to the Fish and Wildlife Division on a timely basis.

Person Responsible: Robert Hodge  
Completion Date : August 1, 1986

Recommendation #24

The Financial Management Bureau, Forestry Division, and Fish and Wildlife Division will work with the Department of Finance to develop methodology for revenue recognition for timber sales and the Dingell-Johnson and Pittman-Robertson programs.

DNR will also work with the Department of Finance to develop methodology for determining expenditure accruals in the Dingell-Johnson and Pittman-Robertson programs. Development of the cost accounting system (see #16) and improved supporting documentation for project expense forms (see #21) should enable the Fish and Wildlife Division to identify revenue and expenditure accruals.

Persons Responsible: John Bouthilet, Joyce Nyhus, Wilma MacKenzie  
Completion Date : July 1, 1986

Recommendations #25 and #26

The Parks and Recreation Division is working with the University of Minnesota to establish written procedures for billing expenditures and monitoring reimbursements associated with the Tower Soudan lease agreement. Procedures will include required documentation of charges, status of account, reimbursement schedules and minimum balances.

Person Responsible: Ron Nickerson  
Completion Date : March 31, 1986

Recommendations #27 and #28

These findings are the result of personnel turnover. The supply backlog has been eliminated as of February 19, 1986, and full staffing will permit perpetual inventory to be maintained on a current basis.

Person Responsible: Norm Kordell  
Completion Date : Implemented

Recommendation #29

The Field Services Bureau is developing a consumable inventory program for use on the IBM personal computer and location codes and reorder points will be incorporated into this program.

Person Responsible: Norm Kordell  
Completion Date : July 1, 1986

Recommendation #30

The Fish and Wildlife Division will seek legislation in the 1987 Session to clarify statutory language pertaining to administrative cost limits for designated revenue sources, including pheasant stamp, waterfowl stamp and trout stamp.

Person Responsible: Larry Shannon  
Completion Date : December 1, 1986

The Fish and Wildlife Division is developing procedures and forms to closely monitor administrative expenditures on pheasant, trout and migratory waterfowl programs so that limits are not exceeded.

Person Responsible: Wilma MacKenzie  
Completion Date : July 1, 1986

Recommendation #31

During the 1984-85 skiing year, the 4% share of daily permits retained by counties was \$190. The DNR will submit legislation next session to amend the statutes to allow this 4% retainage on daily permits.

Person Responsible: Margaret Winkel  
Completion Date : January 1, 1987

Recommendation #32

The federal government considers the recommendation resolved that DNR monitor compliance with the Federal Davis-Bacon Act, and the State of Minnesota has submitted legislation to repeal the Little Davis-Bacon Act on state contracts. In addition, the DNR has over 1,300 contracts a year, 1,000 of which are written and administered at the regional level (with the Department of Administration's authority) on purchase orders, and the Federal Department of Labor and Minnesota Department of Labor and Industry do not have updated rates for all parts of the state. Due to these factors and the limited manpower available, we do not believe that this recommendation can be or should be implemented.

Recommendation #33

The Financial Management Bureau has recently upgraded an Accounting Officer position to include indirect costs administration as a primary responsibility. In addition, the Bureau will create a position devoted exclusively to procedure development and training. These positions will work on development of written policy and procedures for the administration of federal indirect costs.

Person Responsible: John Bouthilet  
Completion Date : October 1, 1986

Yours truly,

  
Joseph N. Alexander  
Commissioner

cc: Steven Thorne, Eugene Gere, Allen Yozamp