

DEPARTMENT OF NATURAL RESOURCES

SPORT FISH RESTORATION - FEDERAL FINANCIAL ASSISTANCE

FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 1992

MAY 1993

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

93-19

DEPARTMENT OF NATURAL RESOURCES

SPORT FISH RESTORATION - FEDERAL FINANCIAL ASSISTANCE

FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 1992

Public Release Date: May 14, 1993

No. 93-19

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Payroll for the Sport Fish Restoration Program.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Rodney Sando, Commissioner
Department of Natural Resources

Audit Scope

We have reviewed certain accounting procedures and controls for your department as part of our statewide audit of the State of Minnesota's fiscal year 1992 financial statements and federal programs. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Natural Resources, as discussed in the Background. The scope of our work was limited to:

- federal programs as cited in the Catalog of Federal Domestic Assistance (CFDA) included in the single audit scope as follows:

CFDA #

Program Name

15.605

Sport Fish Restoration

We have also made a study and evaluation of the internal control structure of this program of the Department of Natural Resources in effect at June 30, 1992.

We emphasize that this has not been a complete financial and compliance audit of all programs within your department. The work conducted in your department is a part of our annual statewide and federal compliance audit (single audit). The single audit coverage satisfies the federal government's financial and compliance audit requirements for all federal programs administered by your department during fiscal year 1992.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Department of Natural Resources are free of material misstatements. As part of our study and evaluation of the internal control structure, we performed tests of the Department of Natural Resource's compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Department of Natural Resources is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws and federal regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with the Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following category:

- Payroll-only related to the Sport Fish Restoration Program.

For the internal control structure category listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

In our opinion, the internal control structure of the Department of Natural Resources, Sport Fish Restoration Program, in effect at June 30, 1992, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial activities attributable to transactions of the Department of Natural Resources, Sport Fish Restoration Program. However, we noted certain matters involving the internal control

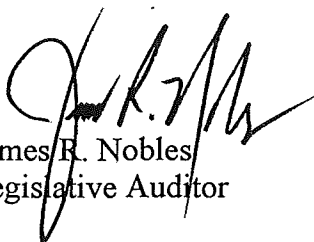
Senator Phil Riveness, Chair
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structure and its operation that we reported to the management of the Department of Natural Resources at the exit conference held on March 29, 1993.


The results of our tests indicate that, with respect to the items tested, the Department of Natural Resources, Sport Fish Restoration Program, complied in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of Natural Resources had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Natural Resources. This restriction is not intended to limit the distribution of this report, which was released as a public document on May 14, 1993.

We thank the Department of Natural Resources for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 2, 1993

Report Signed On: May 10, 1993

Department of Natural Resources

Background

The Department of Natural Resources (DNR) consists of the central office and six regional offices. Rodney W. Sando serves as the commissioner. The department has established eleven programs within the central office to achieve its goals. These include: mineral resources, water resources, forest management, trails and waterways management, parks and recreation, fish and wildlife management, enforcement, field operations support, regional operations support, special services programs and administrative services. During the fiscal year 1992 audit, we only reviewed the portion of the expenditures related to the Sport Fish Restoration program which is administered by the Fish and Wildlife Division.

The federal government apportions money for the Sport Fish Restoration program to each state based on the total lake and water area and the number of fishing license holders in the state. During federal fiscal year 1992, the federal government apportioned \$7,470,107 to Minnesota for the program. The funds can be used on such projects as fish habitat improvement, research on fishery problems, surveys and inventories of fish populations and habitats, provision for public use of fishery resources and lake and stream rehabilitation. The expenditures are then reimbursed with federal funds. The state can be reimbursed up to 75 percent of the total expenditures with federal funds. The remaining 25 percent of the costs must be expended with state funds. During state fiscal year 1992, the Department of Natural Resources expended \$10,121,537 on the Fish Restoration program. These expenditures include payroll, supplies, administrative costs, fleet costs, pier development, indirect costs, and land acquisitions. Of the total expended, payroll and indirect costs comprise \$6,606,824 and \$2,536,193, respectively.