

# **COMPLIANCE AND CONTROL AUDIT REPORT**

**WATER OFFICE  
CONSERVATION COMMISSION  
DEPARTMENT OF WILDLIFE AND PARKS**

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## **OBTAINING AUDIT INFORMATION**

This audit was conducted by Randy Tongier, Financial-Compliance Audit Manager, and Roy Fitzpatrick, Auditor, of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Tongier at the Division's offices.

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**WATER OFFICE  
CONSERVATION COMMISSION  
DEPARTMENT OF WILDLIFE AND PARKS**

**Summary of Legislative Post Audit's Findings**

The Legislative Division of Post Audit conducted compliance and control audit work at the Water Office, Conservation Commission, and Department of Wildlife and Parks in partial fulfillment of the Legislative Post Audit Act's requirement that audit work be conducted at each State agency at least once every three years. This compliance and control audit addressed the area of receipts. The audit also followed up on prior audit findings and recommendations. The period covered by this audit was fiscal year 1991.

**Did the agencies covered by this audit comply with legal and procedural requirement applicable to their receipts, and provide adequate internal control over their receipts?** With three exceptions, the agencies complied with the legal and procedural requirements applicable to their receipts, and provided adequate internal control over those receipts. The Department of Wildlife and Parks did not transfer receipts to the State Treasury as often as required by State law, reconcile its deposits to the State Treasury with the amounts reported by the State's central accounting system, or adequately separate the responsibilities for handling and accounting for cash receipts.

**Did the Department of Wildlife and Parks comply with the legal and procedural requirements applicable to its locally administered funds, and provide adequate internal control over those funds?** The Department complied with legal and procedural requirements applicable to its locally administered funds, and provided adequate internal control over those funds.

The prior audit reports addressed one recommendation to the Conservation Commission, and four to the Department of Wildlife and Parks. All but one of these recommendations had been implemented. The recommendation which had not been implemented is repeated as a current recommendation in this report.

The report recommends that the Department of Wildlife and Parks transfer receipts to the State Treasury on a timely basis, reconcile its State Treasury deposits with amounts reported by the State's central accounting system, and separate the responsibilities for handling and accounting for cash. We would be happy to discuss these recommendations or any other items in the report with legislative committees, individual legislators, or other State officials.

  
Barbara J. Hinton  
Legislative Post Auditor



**WATER OFFICE  
CONSERVATION COMMISSION  
DEPARTMENT OF WILDLIFE AND PARKS**

The Legislative Post Audit Act requires that an annual financial statement audit be conducted of the State's general purpose financial statements. The Act also requires that audit work be conducted at each State agency at least once every three years. Audit work conducted as part of the annual financial statement audit partially fulfills the latter requirement. Also in partial fulfillment of that requirement, the Legislative Division of Post Audit has conducted compliance and control audit work at the Water Office, Conservation Commission, and Department of Wildlife and Parks, covering fiscal year 1991.

To avoid duplication of audit work conducted as part of the annual, Statewide audit, our audit work focused on areas not covered by the Statewide audit. These areas include receipts and locally administered funds, although two of the three agencies covered by this report had no locally administered funds. In addition, we followed up on any prior audit findings and recommendations. The audit addresses the following specific questions:

- 1. Did the agencies covered by this audit comply with legal and procedural requirements applicable to their receipts, and provide adequate internal control over those receipts?**
  
- 2. Did the Department of Wildlife and Parks comply with legal and procedural requirements applicable to its locally administered funds, and provide adequate internal control over those funds?**

We identified the applicable legal and procedural requirements by reviewing relevant statutes, administrative regulations, and sections of the Division of Accounts and Reports' Policy and Procedure Manual. We also interviewed agency personnel, reviewed written procedures, and examined related supporting documents to identify the agencies' procedures for handling receipts and locally administered funds. We then compared those procedures with the applicable legal and procedural requirements. In addition, we identified the potential for loss or misuse of receipts and locally administered funds, and we evaluated the level of control provided by the agencies' procedures in preventing and detecting loss or misuse of those moneys. Finally, we performed analytical tests of receipts and locally administered funds, reviewed accounting records, and tested a sample of transactions at each agency.

In general, we found that the agencies complied with the applicable requirements and provided adequate internal controls. However, we did find three exceptions to this general conclusion, all at the Department of Wildlife and Parks. First, the Department did not transfer receipts to the State Treasury as often as required by State law. Second, it did not reconcile its State Treasury deposits to amounts reported

by the State's central accounting system. Third, the Department did not provide adequate separation of duties in processing cash receipts.

In conducting this audit work, we followed applicable generally accepted government auditing standards set forth by the U. S. General Accounting Office.

## **Background**

This audit report covers three State agencies—the Water Office, Conservation Commission, and Department of Wildlife and Parks. The operations of each agency are described below.

### **Water Office**

The Water Office is the water planning and marketing agency for the State. The Office is administered by a Director, who is appointed by the Governor. The 21-member Kansas Water Authority is part of the Office, and advises the Governor, the Legislature, and the Office's Director on water policy issues.

The primary purpose of the water resources program is the development and implementation of a State Water Plan for the management, conservation, and development of the water resources of the State. A State Water Plan was adopted by the Governor and the Legislature during the 1985 session.

The Water Office also administers provisions of the State Water Plan Storage Act, through which the Office acquires storage in federal reservoirs for the purpose of selling water to municipal and industrial users. The Office has storage space in nine federal reservoirs, and sales agreements with 21 municipal and industrial users.

The operations of the Office are funded by appropriations and transfers from the State General Fund, transfers from the Economic Development Initiatives Fund, and fees from the sale of water stored in federal reservoirs. During fiscal year 1991, the Office collected \$20.8 million, of which \$1.4 million was deposited in the State General Fund and \$14.5 million was transferred to other State agencies. The remainder was deposited in the agency's own funds. According to the Governor's Budget Report, the Office's fiscal year 1991 expenditures totaled \$5.7 million, of which \$1 million (18 percent) was for salaries and wages.

### **Conservation Commission**

The Conservation Commission administers the Kansas Conservation District Law and Watershed Districts Law. The goal of those laws is to protect of State's soil and water resources. The Commission itself comprises eight members. Five conservation areas of the State each elect one member, the U. S. Secretary of Agriculture and the State Secretary of Agriculture each appoint one member, and the Director or another representative of the Cooperative Extension Service/Agriculture Experiment Station serves as an ex officio member. The Commission's office is administered by an executive director appointed by the Commission.

The Commission assists the 105 conservation districts and 85 organized watershed districts by coordinating district programs; serving as liaison to State, local and

federal agencies; preparing information and promotional material; and training district personnel. The Commission also matches county funds with State General Fund moneys up to a maximum of \$7,500 for conservation district operations.

The operations of the Commission are funded by appropriations from the State General Fund and transfers from the State Water Plan Fund. During fiscal year 1991, the Commission received \$8 million in transfers from the State Water Plan Fund. According to the Governor's Budget Report, the Office's fiscal year 1991 expenditures totaled \$8 million, of which \$4.2 million (53 percent) was for aid to local units, and \$3.3 million (41 percent) was for other types of assistance.

### **Department of Wildlife and Parks**

The Department of Wildlife and Parks was created by Executive Reorganization Order No. 22, which became effective July 1, 1987. The Order was approved by the 1987 Legislature on March 17, 1987. The Department consists of the former State Park and Resources Authority and the Kansas Fish and Game Commission.

The Department's operations are administered by the Secretary (located at the administrative office in Topeka) and the Assistant Secretary (located at the Pratt Field Operations Office). The Executive Reorganization Order also established a seven-member Department of Wildlife and Parks Commission. The Commission enacts rules and regulations, and advises the Governor and the Secretary.

The operational structure of the Department consists of the Divisions of Parks and Public Lands, Fisheries and Wildlife, and Law Enforcement, as well as the support divisions of Administrative Services and Education and Public Affairs. These divisions have the responsibility of managing Department lands and waters, enforcing wildlife laws, managing and researching wildlife resources, maintaining environment and wildlife education efforts, and addressing various federal and State mandates, such as acts relating to threatened and endangered species.

The operations of the Department are funded by appropriations from the State General Fund, transfers from other State agencies, federal grants, and fees for such things as hunting and fishing licenses and camping permits. During fiscal year 1991, the Department collected \$23.9 million, all of which was deposited in the agency's own funds. According to the Governor's Budget Report, the Office's fiscal year 1991 expenditures totaled \$25.7 million, of which \$14.1 million (55 percent) was for salaries and wages, and \$4.3 million was for capital improvements.

## **Did the Agencies Covered by This Audit Comply With Legal and Procedural Requirements Applicable to Their Receipts, and Provide Adequate Internal Control Over Those Receipts?**

For fiscal year 1991, our review showed that these agencies complied with legal and procedural requirements applicable to receipts, except that the Department of Wildlife and Parks did not transfer receipts to the State Treasury on a timely basis. In addition, the agencies' procedures provided adequate internal control over receipts, except that the Department of Wildlife and Parks needs to improve internal controls over cash receipts in three areas. Our conclusions were based on the following.

### **With Some Exceptions, the Agencies Complied With Applicable Requirements And Provided Adequate Internal Control**

In the area of receipts, we identified the agencies' procedures for handling receipts, determined whether those procedures met applicable legal requirements, evaluated the internal controls provided by those procedures, and tested a sample of transactions, records, and reports to determine whether the applicable procedures had been followed. In particular, we determined whether:

- ◇ amounts due the agencies were properly assessed and collected
- ◇ amounts collected by the agencies were deposited in the local fee bank accounts on a timely basis
- ◇ amounts collected by the agencies were deposited in the State Treasury on a timely basis
- ◇ the agencies' receipts procedures provided adequate controls to limit to an acceptable level the risk of loss or misuse of receipts and the risk of noncompliance with legal and procedural requirements

With the exceptions discussed in the following sections, we found that amounts due were assessed and collected, amounts collected were deposited on a timely basis, and agencies procedures provided adequate controls.

### **The Department of Wildlife and Parks Did Not Transfer Receipts to The State Treasury As Often As Required by State Law**

State law allows State agencies located outside of Topeka to deposit receipts in a local bank account, and to transfer those receipts to the State Treasury at least monthly, unless the Pooled Money Investment Board requires the receipts to be transferred more frequently. During fiscal year 1991, the Pooled Money Investment Board required the Department to transfer receipts from the Pratt Office's bank account to the State Treasury whenever the bank balance exceeded \$162,000, with the transfer to

be made on the next working day. Because the contract between the Pooled Money Investment Board and the local bank established \$112,000 as the minimum balance for that bank account, each transfer was to reduce the balance to that minimum.

To test the Department's compliance with this requirement on a sample basis, we reviewed one month's (December 1990) bank account activity. For that month, we found eight instances when transfers should have been made. In two of those instances, the Department did not make the transfers on a timely basis. In one case a required transfer of about \$80,000 was made one day late. In the other case, a transfer of about \$100,000 was made two days late. If the other 11 months of fiscal year 1991 were similar to our test month, the Department would have made 24 late transfers during that fiscal year.

Transferring moneys to the State Treasury on a timely basis not only would have achieved compliance with legal requirements, but it also would have increased the interest the State earned on its moneys. If moneys are in a local bank account, those moneys are not available for the Pooled Money Investment Board to invest, and the State loses the interest it could be earning on those moneys. Although information for us to calculate the amount of interest lost in this case was not available, the amounts of money and delay involved indicate that the interest lost would be very small. However, even this loss could have been avoided.

### **Recommendation**

The Department of Wildlife and Parks should ensure that receipts are transferred from the Pratt Office's bank account to the State Treasury in accordance with the timeliness requirements of the Pooled Money Investment Board.

### **The Department of Wildlife and Parks Did Not Reconcile Its Deposits to the State Treasury With the Amounts Reported by The State's Central Accounting System**

The Department's deposits to the State Treasury are made by the 105 counties in Kansas, the Department's 29 State parks and regional offices, the Secretary's office in Topeka, and the Operations Office at Pratt. To ensure that all these deposits are properly recorded, the Department should periodically compare the deposits recorded in its accounting records to the amounts reported by the State's central accounting system. During fiscal year 1991, no such reconciliation was performed. Although we noted no discrepancies between Department receipt records and those of the central accounting system during our testwork, the Department had no way of ensuring that any discrepancies would be identified and corrected.

### **Recommendation**

The Department of Wildlife and Parks periodically should reconcile its deposits to the State Treasury with amounts reported by the State's central accounting system.

### **The Department of Wildlife and Parks Did Not Adequately Separate the Responsibilities For Handling and Accounting for Cash Receipts**

The Department's procedures call for mail room employees to restrictively endorse checks received, and then distribute cash and checks to the employees responsible for recording those items in the agency's fee records. The moneys and remittance documents are then sent to the Department's cashiers for validating, recording in the cash receipts record, and depositing in the Department's bank account. The remittance documents, validation tapes, and copies of the bank deposit slips then are returned to the employees who recorded the receipts in the fee records.

Under these procedures, cash receipts are handled by the same employees who record the receipts in the various accounting records. If cash receipts were lost or misappropriated before they were initially recorded, the Department's accounting records would not show that those moneys had ever been received. While restrictive endorsement of the checks received limits somewhat the risk of misappropriation, the risk of loss still exists.

The Department could limit its risk of loss or misuse even further by separating the cash and checks received from the accompanying remittance documents when the mail is opened. The moneys could be sent directly to the cashiers for recording and depositing, and the remittance documents could be sent to the employees responsible for recording fees. Periodic comparisons of the cashiers' records to the fee records would ensure that all items had been recorded and deposited.

### **Recommendation**

To reduce the risk of loss or misuse of receipts, the Department of Wildlife and Parks should separate the responsibility for handling moneys from the responsibility for recording the receipts in the agency's fee records, and then periodically compare its cash receipt records with its fee records to ensure that all moneys received have been recorded and deposited.

**Did the Department of Wildlife and Parks Comply with Legal and Procedural Requirements Applicable to Its Locally Administered Funds, and Provide Adequate Internal Control Over Those Funds?**

The Department of Wildlife and Parks had three locally administered funds — imprest funds of \$500, \$2,000, and \$3,000. Imprest funds are moneys available for payments that must be made more quickly than would be possible using the regular State warrant procedures. These moneys are kept in local bank accounts. After the payments are made from those bank accounts, the accounts are reimbursed from the agency's regular State funds.

For fiscal year 1991, we concluded that the Department complied with legal and procedural requirements applicable to those funds. We also concluded that the Department's procedures provided adequate internal control over the imprest funds. Our conclusions are based on the following.

In reviewing the Department's use of its imprest funds, we identified the Department's procedures for handling the funds, determined whether those procedures met applicable legal requirements, evaluated the internal controls provided by those procedures, and tested a sample of transactions, records, and reports to determine whether the applicable procedures had been followed for those transactions. In particular, we determined that:

- ◇ imprest fund moneys had been properly deposited in local bank accounts
- ◇ the Department's use of local bank accounts was proper, and the banks themselves were designated by the Pooled Money Investment Board
- ◇ the Department's procedures provided adequate controls to limit to an acceptable level the risk of loss or misuse of imprest fund moneys and the risk of noncompliance with legal and procedural requirements

## **Follow Up of Prior Audit Findings and Recommendations**

As part of this audit, we followed up on prior audit findings and related recommendations. The prior audit reports made one audit recommendation to the Conservation Commission and four to the Department of Wildlife and Parks. Our review indicated all prior audit recommendations had been implemented except one to the Department of Wildlife and Parks. This recommendation is repeated in this audit report.

### **Conservation Commission**

The prior audit report recommended that the Conservation Commission improve controls over contract payments made for its Food Security Act program by requiring the consultant to provide supporting documentation for expenses billed under that contract.

**We found that this recommendation had been implemented.**

### **Department of Wildlife and Parks**

The prior audit report recommended that the Department of Wildlife and Parks prepare a physical inventory listing of the property owned by the Department.

**We found that this recommendation had been implemented.**

The prior audit report recommended that the Department of Wildlife and Parks review its control over the authorization of source documents used for expenditures, travel authorizations, contracts, receipts vouchers, and other documents.

**We found that this recommendation had been implemented.**

The prior audit report recommended that the Department of Wildlife and Parks enforce the policy of requiring State parks to make weekly deposits to the State Treasury between April 15th and September 15th.

**We found that this recommendation had been implemented.**

The prior audit report recommended that the Department of Wildlife and Parks have the secretary who opens the mail prepare an adding machine tape of the checks and cash received before giving the cash and checks to the receipt clerk. The secretary should then reconcile the adding machine tape to the deposits to the State Treasury.

**We found that this recommendation had been only partially implemented. The persons who open the mail list all cash items received. However, no list or adding machine tape was made of the checks received. A current audit recommendation is made to address the concerns raised by this prior finding and recommendation.**

**Water Office**

The Water Office had no prior audit findings and recommendations.

## **Appendix A**

### **Agency Responses**

On February 14, we provided copies of the draft audit report to the Kansas Water Office, the State Conservation Commission, and the Department of Wildlife and Parks. The Water Office and Conservation Commission pointed out minor corrections that were needed in the discussion of their operations. We have made the necessary changes. The agencies' written responses are included as this Appendix.

STATE OF KANSAS

Joan Finney, Governor

KANSAS WATER OFFICE  
Stephen A. Hurst  
Director

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February 24, 1992

Barbara J. Hinton  
Legislative Post Auditor  
Merchants Bank Tower  
800 SW Jackson, Suite 1200  
Topeka, KS 66612-2212

FEB 25

Dear Ms. Hinton:

I have reviewed the draft copy of your compliance and control audit report on the Kansas Water Office covering the state fiscal year 1991. My only correction is on page two where the report refers to the "four-year term" of the Director. The current law, set out in K.S.A. 74-2613, states:

"The director of the Kansas water office shall be appointed by the governor, subject to confirmation by the senate provided in K.S.A. 75-4315b and amendments thereto. Except as otherwise provided by this section, the director of the Kansas water office shall be in the unclassified service under the Kansas civil service act, shall serve at the pleasure of the governor and shall receive an annual salary fixed by the governor." (Emphasis added)

If you should have any questions or need further information on our agency operations, please feel free to call me.

Sincerely,



Stephen A. Hurst  
Director

SAH:dk



# State Conservation Commission

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TELEPHONE (913) 296-3600

TOPEKA, KANSAS 66612-1299

February 24, 1992

Barbara J. Hinton, Legislative Post Auditor  
Legislative Division of Post Audit  
800 SW Jackson, Suite 1200  
Topeka, Kansas 66612-2212

FEB 25

Dear Ms. Hinton:

Thank you for the opportunity to review the draft copy of the compliance and control audit report conducted on State fiscal year 1991. We offer the following clarifications:

CONSERVATION COMMISSION:

Page #2 - paragraph 1, 3rd sentence: "Five conservation areas .....and the Director **or representative** of the Cooperative Extension Service....".

Dr. Walter Woods, Director of the Agricultural Experiment Station and Cooperative Extension Service, designated James Steichen to represent the Agricultural Experiment Station and John Hickman to represent the Cooperative Extension Service.

Page #2 - paragraph 2, last sentence: "The Commission also matches county funds with State General Fund moneys **up to a maximum of \$7,500** for conservation district operations.

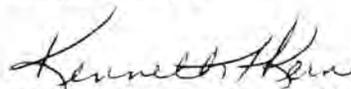
Please note that the 1990 Legislature appropriated a total of \$759,394 for the FY 1991 Aid to Conservation Districts Program. Of that amount, \$359,394 was from State General Fund and the remaining \$400,000 came from the State Water Plan Special Revenue Fund.

Page #3 - paragraph #1, last sentence: As a result of telephone conversations with Roy Fitzpatrick earlier today, we concur with the following changes:

"According to.....totaled \$8 million, of which \$4.2 million was for aid to local units, and \$3.3 million was for other types of assistance".

Again, we appreciate the opportunity to review and clarify information in the draft report.

Sincerely,

  
Kenneth F. Kern, *Sy DW*  
Executive Director

**KANSAS**



**WILDLIFE  
& PARKS**

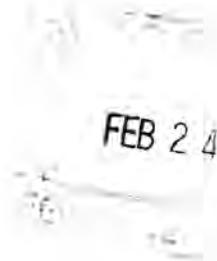
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*Equal Opportunity Employer*

February 24, 1992

Barbara J Hinton  
Legislative Post Auditor  
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Dear Ms. Hinton:

Thank you for the attention and assistance provided by your office. I have reviewed the draft copy of our FY-1991 audit report and provide the following comments regarding your findings.

1. Transfer of Receipts to the State Treasury: The employees involved in making the transfers to the State Treasury have been instructed to keep a closer watch on the bank balances and to transfer early, if necessary, in order to keep from exceeding the dollar limit.

2. Reconciliation of State Treasurer Receipt Voucher Totals with Accounts and Reports Receipt Totals: The Department auditor has been instructed to do a monthly reconciliation beginning July, 1991.

3. Handling and Accounting for Cash Receipts: We feel that a very adequate procedure is in place to assure the safeguarding of receipts and can not restructure our process, as suggested, due to the sheer volumes. As an example, firearms deer season yields over 55,000 applications, each with a \$30.00; \$15.00 or \$10.00 fee. Some will be refunded, but most won't. Due to the nature of our business, most of our receipts are of an "application" nature and if there is no response from us, we hear from the applicant very quickly. The current procedure is as follows:

a. All general mail is opened in a central mail room with more than one person always present.

b. Application documents with checks attached are sorted to the various departments. The checks are stamped "for deposit" and a voucher is made out for any cash involved. The person receiving the cash must sign for it.

c. The application documents are delivered to the issuing departments where they are checked for completeness. If incomplete, the application period is past or all available permits have been sold, everything is sent back to the applicant. If everything is in order, the checks are batched and sent to the cashier for validation. Certain application documents are also sent to be validated.

d. The checks, cash vouchers and application documents are machine validated which shows the amount of money, date and validation number. A tape is prepared by the machine during this process. The original is used for the bank deposit and a second is sent back to the issuing department with the validated documents.

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With the applications going to various departments, with a variety of permits and licenses to be issued at a various prices, it is felt to be better to leave the checks with the applications until they have been checked. If the checks were separated, as suggested, a good number of refunds would have to be made by voucher, which would be very costly.

I do appreciate receiving this information and the opportunity to comment on it. Thank you for the services received from your department, and the professional manner of your personnel.

Sincerely,



Jack Lacey  
Secretary

JL:ga

