



**John Keel, CPA
State Auditor**

An Audit Report on

The Game, Fish, and Water Safety Account at the Parks and Wildlife Department

April 2006

Report No. 06-032



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Overall Conclusion

The Parks and Wildlife Department (Department) has established an effective process for collecting revenue from the sale of hunting and fishing licenses. In license year 2005, the Department collected **\$87 million in revenue from the sale of 2.7 million licenses** and related items such as stamps, tags, and permits. That amount represents substantially all of the revenue that should have been collected, subject to the limitations discussed below. The Department's controls also ensure that its processes to collect all applicable revenue from boat registration and titling fees and taxes are adequate. The Department collected \$22 million in revenue from these sources in fiscal year 2005.

An additional \$502,446 could have been collected if **all non-Texas residents had paid the proper out-of-state license fees** and if only individuals who were eligible for reduced license fees because of their age paid the reduced fees.

Results of audit tests of a sample of license fees indicated those fees were collected in a adequate and timely manner, but the Department should independently verify that license fee revenue has been collected from all active license agents (such as retailers) that sell licenses on its behalf. See text box for additional details regarding how license fees are remitted to the Department.

License Sale and Fee Collection Process

Licenses agents (such as retailers) sell hunting and fishing licenses and collect license fees on the Department's behalf. License agents receive a 4 to 5 percent commission for each license they sell.

Every seven days, the contractor for the Department's licensing system prepares a report of the license revenue that should be retrieved from license agents' bank accounts. After the license agents and the Department review that report, the State Treasury "sweeps" the license agents' bank accounts to retrieve the license fees that are owed to the Department.

The Department should ensure that license applicants provide Social Security numbers.

The Department generally administers the Game, Fish, and Water Safety Account (Fund 009) in accordance with the applicable laws and regulations that auditors tested, but it should **comply with all state and federal laws**. For example, the Department should ensure that individuals provide Social Security numbers when they purchase hunting and fishing licenses as required by Texas Family Code, Section 231.302, and Title 42, United States Code, Chapter 666. During license year 2005, **1,088,339 (51.18 percent) of the 2,126,501 people who applied for a license did not provide a Social Security number**, provided an incomplete or

invalid Social Security number, or provided Social Security numbers that were captured incorrectly in the licensing system.

The Department provides up to 19 types of information regarding each license applicant (including name; date of birth; and Social Security number, if collected) to the Office of the Attorney General on a monthly basis for use in that agency's Child Support Enforcement Program.

The Department should allocate net receipts from the sale of stamps in accordance with statute.

The Department **does not allocate the net receipts** from the sale of turkey, freshwater fishing, saltwater fishing, white winged dove, and waterfowl stamps to the dedicated funds associated with those stamps **as required by Texas Parks and Wildlife Code, Chapter 43**. The dedicated funds are used for purposes (such as research and development of habitats) that are directly related to the type of stamps purchased. The Department has not complied with statute because it:

- Has not defined what constitutes "net receipts" for the stamps associated with super combo licenses and, instead, allocates revenue from super combo licenses through a user-based methodology that depends on harvest surveys results. Because the price of an entire super combo license is discounted, it is not clear what portion of the net receipts from the sale of that license is associated with the individual stamps within that license. Revenue from super combo licenses that is not allocated to the dedicated stamp funds is allocated to the more general Fund 009.

Through its user-based methodology, the Department allocated \$3.6 million to the dedicated stamp funds and \$18.4 million to Fund 009 in fiscal year 2005. There are different ways in which to define the net receipts from a stamp that is sold as part of a super combo license. For example, if net receipts for a stamp are defined as that stamp's proportionate share of the discounted price of the super combo license (less commission), in fiscal year 2005, \$5.2 million more would have been allocated to the dedicated stamp funds within Fund 009.

- Did not allocate \$3.6 million in net receipts from the sale of saltwater fishing stamps that were sold as part of fishing packages to a dedicated fund associated with that stamp in license year 2005.¹ This conflicts with Texas Parks and Wildlife Code, Chapter 43, which requires the Department to allocate the "net receipts" from the sale of a stamp to that stamp's dedicated fund. This occurred because (1) the Department has not established a dedicated stamp fund for this stamp, (2) there was a misunderstanding regarding the surcharge and fee associated with this stamp, (3) there was miscommunication between the

¹ This \$3.6 million figure is not the same \$3.6 million figure referred to in the above paragraph; the similarity in these figures is purely coincidental.

licensing division and the financial division, and (4) there were errors in a funding allocation table.

- Did not allocate \$373,398 in net receipts from the sale of freshwater fishing stamps that were sold as part of fishing packages to the dedicated fund associated with that stamp in license year 2005. This conflicts with Texas Parks and Wildlife Code, Chapter 43, which requires the Department to allocate the “net receipts” from the sale of a stamp to that stamp’s dedicated fund. This occurred because of (1) a miscommunication between the licensing division and the financial division and (2) errors in a funding allocation table.

The Department does not have a process to monitor the performance of license agents.

The Department effectively monitors its contracted license sales system, which captures information on the sale of hunting and fishing licenses, but it does not have a process to monitor license agents that sell licenses. The Department’s monitoring procedures focus primarily on the contracted license sales system, and the Department monitors license agents’ retention of records only indirectly. Under the Department’s current practice, license agents may decline monitoring, not submit requested information, or not maintain required documentation without penalty.

The Department also does not enforce its requirement that license agents return voided and misprinted licenses within 45 days. As of January 3, 2006, agents had not returned 36,628 voided and 766 misprinted licenses that were processed during license year 2005. The Department credited at least \$1.2 million to the accounts of those license agents as a result of those transactions. Because the licensing system posts an immediate credit to the license agent’s account when a transaction is voided or misprinted, without Department review of the hard-copy voided or misprinted licenses, the State may be losing revenue if those transactions are not valid.

Expenditures from Fund 009 comply with applicable restrictions, and the Department fully or substantially implemented 80 percent of applicable prior audit recommendations tested.

Audit tests of 81.9 percent of expenditures from Fund 009 indicated that the Department has adequate controls to ensure that expenditures made from that fund comply with applicable restrictions.

During this audit, auditors followed up on 16 recommendations the State Auditor’s Office made in 2001 (see *An Audit Report on Revenue Management at the Parks and Wildlife Department*, SAO Report No. 02-006, October 2001). Six of those recommendations were no longer applicable, primarily because the Department has implemented a new licensing system and has improved its contracts with license agents. Of the remaining 10 recommendations, the Department has fully or

substantially implemented 8 (80 percent) and its implementation of 2 (20 percent) recommendations is incomplete or ongoing.

Summary of Management's Response

The Department agrees with many of the findings in this report; however, it does not agree to implement several significant recommendations (see pages 3, 7, 11, 16, and 18) until it initiates certain modifications. Management's responses indicate that some of these modifications will be made as late as 2008. Throughout the Detailed Results section of this report, we have included management's responses and auditor follow-up comments to further clarify certain issues.

Summary of Information Technology Review

Since the last State Auditor's Office audit in 2001, the Department contracted for a new licensing system to manage the sale of hunting and fishing licenses and the collection of associated revenue. The 2001 audit noted significant issues regarding licensing revenue not being retrieved from license agents' bank accounts. Based on our tests during the current audit, the new licensing system ensures that the majority of revenues are being retrieved from license agents' bank accounts.

The Department should strengthen controls related to its licensing system by requiring the contractor for that system to (1) have a disaster recovery plan that meets minimum contract requirements and (2) test and update that plan annually.

The Department also should work with the contractor to improve its licensing system's access controls by requiring passwords to be changed frequently, locking users out of the system after multiple unsuccessful login attempts, and maintaining password histories to prevent the reuse of the same passwords. Creating or activating existing edit checks in the licensing system also would help the Department ensure the accuracy of the information in that system, collection of appropriate fees, and compliance with federal and state laws and regulations.

Summary of Objectives, Scope, and Methodology

The audit objectives were to:

- Determine whether the Department has controls in place to ensure:
 - The collection of all revenue from hunting and fishing licenses and stamps and boat registrations.
 - The proper accounting and reporting of revenue and expenditures in the Game, Fish, and Water Safety Account (Account 009).

- Adequate oversight of its contracted License Sales System (the point-of-sale system) and license agents.
- Determine whether the Department administers Account 009 in accordance with applicable laws and regulations.

The audit scope covered the Department's oversight, management, and revenue collection processes for its licensing system in license year 2005; methodology for allocating revenue to statutorily restricted dedicated stamp funds; collection and distribution of revenue from boat registration and titling fees and taxes in fiscal year 2005; and compliance with key laws.

The audit methodology included collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with Department management and staff.

*An Audit Report on
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SAO Report No. 06-032*

| Recent SAO Work | | |
|-----------------|--|---------------|
| Number | Product Name | Release Date |
| 04-018 | An Audit Report on Fund-Raising Activities at the Texas Parks and Wildlife Department | January 2004 |
| 03-040 | A Review of Fiscal Year 2002 Encumbrances and Payables at Selected Agencies | June 2003 |
| 03-018 | An Audit Report on Selected Entities' Compliance with Historically Underutilized Business Requirements | February 2003 |
| 02-002 | An Audit Report on Procurement Card Processes and Controls | February 2002 |
| 02-006 | An Audit Report on Revenue Management at the Parks and Wildlife Department | October 2001 |

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Detailed Results

Chapter 1

The Department Collected Substantially All License Fees and All Boat Registration and Titling Fees and Taxes in License Year 2005; Improving Certain Controls Would Help It Ensure It Collects All License Fees

The Parks and Wildlife Department (Department) has established an effective process for collecting revenue from the sale of hunting and fishing licenses. In license year 2005, the Department collected \$87 million in revenue from the sale of 2.7 million licenses and related items such as stamps, tags, and permits. That amount represents substantially all of the revenue that should have been collected, subject to the limitations discussed below. The Department's controls also ensure that its processes to collect all applicable revenue from boat registration and titling fees and taxes are adequate. The Department collected \$22 million in revenue from these sources in fiscal year 2005.

Additional license fees could have been collected.

The Department could have collected an additional \$502,446 in license year 2005 if:

- All non-Texas residents had paid the proper amount of license fees. In license year 2005, 1,953 resident licenses were sold to applicants who specified on their license applications that they were not Texas residents. This resulted in lost revenue because license fees for non-residents are higher than license fees for Texas residents. For example, in 2005 the fee for a Texas-resident hunting license was \$23, but the fee for a general non-resident hunting license was \$300.

**Residency Definitions in
Texas Parks and Wildlife Code,
Sections 42.001 and 46.0011**

“Resident” means:

- (A) an individual who has resided continuously in this state for more than six months immediately before applying for a hunting/fishing license;
- (B) a member of the United States armed forces on active duty;
- (C) a dependent of a member of the United States armed forces on active duty; or
- (D) a member of any other category of individuals that the commission by regulation designates as residents.

A feature in the Department's licensing system to prevent the sale of resident licenses to non-Texas residents is not functional. Additionally, the Department does not require applicants to show proof of residency when they purchase licenses. The Texas Parks and Wildlife Code defines residency (see text box), but it does not specify what type of documentation can be used to establish residency.

Effective October 18, 2005, the Department adopted Title 31, Texas Administrative Code, Section 55.1, which defines acceptable documentation for establishing residency. However, this rule states that the individual does not have to present this documentation upon

purchasing a license. Without the individual's presenting this documentation when purchasing a license, a license agent cannot adequately determine who is eligible to pay the resident license fee. Auditors were not able to determine how many applicants inappropriately claimed Texas residency and, therefore, inappropriately paid a lower fee for their licenses.

- Only those who were eligible for reduced license fees because of their age paid reduced fees. In fiscal year 2005, 1,690 individuals paid reduced license fees when they did not meet age eligibility requirements. This resulted in lost revenue because the Department offers discounted licenses to youth (younger than 17 years) and senior Texas residents (65 years or older). For example, in 2005 the fee for a regular super combo license was \$64, but the fee for a resident senior super combo license was \$30.

A feature in the licensing system to prevent the sale of a reduced-fee license to individuals who do not meet the age requirements is not functional.

The Department should ensure that license fees are collected from all active license agents.

Results of audit tests of approximately 38 percent of license sales for two months of fiscal year 2005 indicated license fees were collected in an

adequate and timely manner. However, because the Department does not maintain a list of all active license agents (such as retailers) and their active start and end dates, auditors were not able to determine whether fees were collected from all active license agents.

The License Sale and Fee Collection Process

Licenses agents (such as retailers) sell hunting and fishing licenses and collect license fees on the Department's behalf. License agents receive a 4 to 5 percent commission for each license they sell.

Every seven days, the contractor for the Department's licensing system prepares a report of the license revenue that should be retrieved from license agents' bank accounts. After the license agents and the Department review that report, the State Treasury "sweeps" the license agents' bank accounts to retrieve the license fees that are owed to the Department.

The Department is not able to generate a report that lists active agents for a particular time period. An active agent is a retailer that is able to sell licenses using the licensing system. Having such a report would enable the Department to compare all active license agents to the license agencies from which fees were collected to ensure that fees are collected from all active agents (see text box for additional details on the fee collection process). In the absence of such a report, the Department does not have assurance that all license fees are remitted to the Department.

The Department processed boat registration and titling fees and taxes in an accurate and timely manner.

In fiscal year 2005, the Department collected and processed \$22 million in applicable revenue from boat registration and titling fees and taxes. It accurately transferred 15 percent of boat registration and titling revenue to its operating fund 064 in a timely manner, as required by Texas Parks and Wildlife Code, Section 11.032. It also transferred 95 percent of the boat sales

and user tax revenue to the State General Fund 001 in a timely manner, as required by Texas Tax Code, Section 160.121.

As of January 2006, the Department deployed its new Boat Registration and Titling System (BRTS). Audit testing focused on fiscal year 2005 and boat transactions that were captured and processed on the Department's prior boat registration system (called the M204 system).

Recommendations

The Department should:

- Include controls in its licensing system to help ensure that only eligible applicants pay Texas resident license fees and reduced license fees because of their age.
- Consider requiring proof of residency, such as a driver's license, upon purchase of a license to ensure that only applicants that meet residency eligibility requirements purchase Texas resident licenses.
- Consider including in its contracts with license agents provisions specifying that license agents are responsible for determining that the individual purchasing the license is eligible for the type of license he or she is purchasing.
- To help ensure that fees have been collected from all active license agents, maintain a list of all license agents that shows active start and end date and periodically compare that list against a list of the license agents from which license fees have been collected.

Management's Response

The Department will attempt to improve our current system and will pursue features in the next implementation of a licensing system (currently expected to occur in August 2008) which will address these issues.

Management will consider reasonable alternatives, such as purchasers providing a Texas drivers license, to help determine Texas residency.

Eligibility of an individual to purchase a license is significantly more complicated than verifying age or residency. For example, to qualify to purchase a resident hunting license the customer must not have in his holdings any super combo, combo or lifetime license. To address these requirements, management will focus on improving the capability of our licensing system.

The final recommendation above, to maintain a list of all active agents with active start and end dates, is a feature that management will pursue in our next license system implementation.

The Department Generally Administers Fund 009 in Accordance with Applicable Laws Tested, But It Should Comply with All State and Federal Laws

The Department generally administers the Game, Fish, and Water Safety Account (Fund 009) in accordance with the applicable laws and regulations that auditors tested, but it should comply with all state and federal laws.

The Department should ensure that license applicants provide Social Security numbers.

The Department does not ensure that all individuals provide Social Security numbers when they purchase a license as required by the Texas Family Code, Section 231.302, and Title 42, United States Code, Chapter 666. This issue was previously reported by the State Auditor's Office in 2001 (see *An Audit Report on Revenue Management at the Parks and Wildlife Department*, SAO Report No. 02-006, October 2001). The Department provides up to 19 types of information regarding each license applicant (including name; date of birth; and Social Security number, if collected) to the Office of the Attorney General on a monthly basis for use in that agency's Child Support Enforcement Program. Although the Department provides information other than Social Security numbers, a Social Security number is a unique identifier for a specific individual and can better assist the Office of the Attorney General in its Child Support Enforcement Program.

Requirement to Collect Social Security Numbers

Texas Family Code, Section 231.302(c), specifies the following:

"To assist in the administration of laws relating to child support enforcement under Parts A and D of Title IV of the federal Social Security Act (42 U.S.C. Sections 601-617 and 651-669)...each licensing authority shall request and each applicant for a license shall provide the applicant's social security number."

The licensing system has been programmed to request Social Security numbers as a condition of purchasing a license (based on a predetermined range of age), but that feature is not currently functional for sales through point-of-sale equipment. During license year 2005, 1,088,339 (51.18 percent) of the 2,126,501 people who applied for a license did not provide a Social Security number, provided an incomplete or invalid Social Security number, or provided Social Security numbers that were captured incorrectly in the licensing system.

The Department should ensure that licensees obtain Harvest Information Program (HIP) certification when this certification is required.

The Department does not ensure that all required licensees obtain Harvest Information Program (HIP) certification as required by Title 31, Texas Administrative Code, Sections 65.309 and 65.313, and Title 50, Code of Federal Regulations, Section 20.20 - Migratory Bird Harvest Information Program. This certification entitles hunters to harvest migratory birds and, at a minimum, it should be obtained by each individual who purchases a white-winged dove stamp or a waterfowl stamp. In license year 2005, 18,555 licenseholders were HIP certified, but 97,265 individuals purchased white-

wing dove stamps or waterfowl stamps. The Department also sold 372,526 super combo licenses; because this license includes both stamps, those licenseholders may elect to be HIP-certified.

HIP certification is available free of charge and requires an individual to answer a five-question survey regarding his or her past and present intentions regarding harvesting of migratory birds. The consequences of not capturing hunters' harvesting habits can significantly affect a species' population. Additionally, the Department may risk not qualifying for future federal grants if it does not meet HIP federal requirements. Texas is one of two states in which the greatest number of ducks, geese, white-winged dove, and morning dove are hunted. This information assists the Department and the U.S. Fish and Wildlife Service in developing estimates for the number of migratory birds harvested in the state and the country. These estimates assist in making decisions concerning hunting seasons, bag limits, and population management.

The licensing system is programmed so that the HIP survey questions appear if the individual is purchasing a hunting license and has not been HIP-certified for the current license year. However, the licensing system is not programmed to prevent the sale of the white-winged dove stamp or waterfowl stamp without this certification. Individuals who do not have this certification risk receiving a fine and having their hunting privileges revoked if they hunt without this certification.

The Department does not allocate revenue from sale of stamps to dedicated stamp funds as required by Texas Parks and Wildlife Code, Chapter 43.

As Chapter 3 discusses in more detail, the Department does not allocate revenue from sale of stamps to dedicated stamp funds as required by Texas Parks and Wildlife Code, Chapter 43.

Recommendations

The Department should:

- Ensure that the feature in its licensing system that makes the collection of Social Security numbers required is functional. It should ensure that Social Security numbers are collected from all applicants, regardless of their age. If an applicant does not have a Social Security number, the Department should require the applicant to provide another unique identifier, such as a passport number.
- Enforce the provision in its contracts with license agents requiring them to collect all information from customers that the Department requires.

- Program its licensing system to prevent the sale of stamps that require an individual to be HIP-certified if the individual has not obtained that certification.
- Consider including in its contracts with license agents provisions specifying that license agents are responsible for enforcing licensing rules.

Management's Response

The Department will attempt to improve our current system and will pursue features in the next implementation of a licensing system that will address these issues.

To address the recommendation that management enforce the provision in its contracts with license agents requiring them to collect all required customer information, management intends to design our system to require all the necessary customer information.

Based on the data in our license system, the Department has determined that a total of 90,955 license holders obtained HIP certification compared to the 97,265 individuals purchasing white-wing dove or waterfowl stamps in license year 2005. Although the figures are not as reported in this audit, management agrees that additional methods to improve HIP data should be implemented. We can improve in this area by changing the catalog structure of the license system which will be addressed in the next license system implementation.

License rules are complex and can most effectively be enforced by correct programming of rules within our system. Management will focus on improving the capability of our licensing system.

Auditor Follow-Up Comment

Based on records provided by the Department during this audit, we could verify that only 18,555 licenseholders obtained Harvest Information Program certification.

The Department’s Methodology Does Not Ensure that Net Receipts from the Sale of Stamps are Allocated to the Dedicated Funds Associated with Each Stamp

In license year 2005, the Department did not properly allocate \$9 million (10 percent of the \$87 million total revenue from fishing and hunting licenses) among the dedicated stamp funds as required by statute. The dedicated stamps funds are used for purposes (such as research and development of habitats) that are directly related to the type of stamp purchased.

| Super Combo License | |
|---|------|
| The super combo license is a combination package that combines two licenses and several stamps. In license year 2005, the super combo license was sold at a discounted price of \$64. | |
| The super combo license includes the following components, which are listed below with the price each would sell for individually: | |
| Resident Hunting License | \$23 |
| Resident Fishing License | 23 |
| Freshwater Fishing Stamp | 5 |
| Saltwater Sportfishing Stamp | 10 |
| Waterfowl Stamp | 7 |
| Turkey Stamp | 5 |
| White-Winged Dove Stamp | 7 |
| Archery Stamp | 7 |
| Total Value | \$87 |

The State Auditor’s Office previously reported issues regarding the allocation of revenue among the dedicated stamp funds in 2001. In response to recommendations the State Auditor’s Office made in 2001, the Department documented its methodology to allocate funds from super combo licenses, and obtained the Parks and Wildlife Commission’s approval of that allocation methodology (see text box for more information on the super combo license). But, that methodology did not comply with statute. Specifically, the Department’s methodology did not allocate the “net receipts” from the sale of turkey, freshwater fishing, saltwater sportfishing, white-winged dove, and waterfowl stamps to the dedicated funds associated with those stamps as required by Texas Parks and Wildlife Code, Chapter 43.

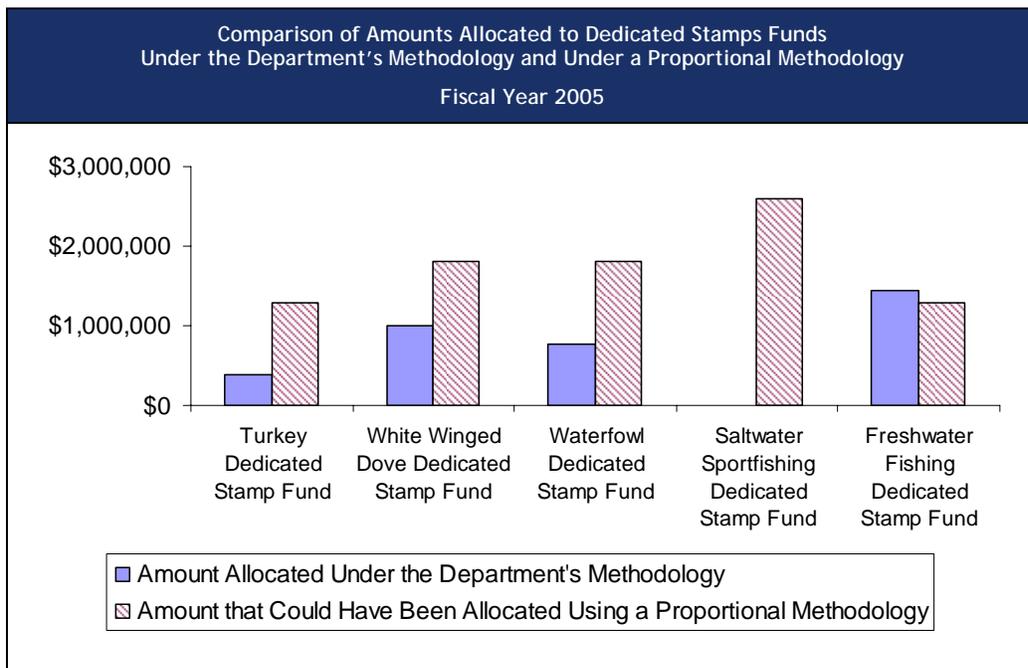
The Department did not comply with statute because it has not defined what constitutes “net receipts” for the stamps associated with super combo licenses and,

instead, allocates revenue from super combo licenses through a user-based methodology that depends on harvest surveys results. The price of an entire super combo license is discounted as required by Texas Parks and Wildlife Code, Chapter 50, but it is not clear what portion of the net receipts from the sale of that license is associated with the individual stamps within that license. Revenue from super combo licenses that is not allocated to the dedicated stamp funds is allocated to the more general Fund 009.

Based on its methodology, the Department allocated \$3.6 million to the dedicated stamp funds and \$18.4 million to Fund 009 in fiscal year 2005. There are different ways in which to define the net receipts for a stamp that is sold as part of a super combo license. For example, if net receipts for a stamp are defined as that stamp’s proportionate share of the discounted price of the super combo license (less commission), in fiscal year 2005, \$5.2 million more would have been allocated to the dedicated stamp funds within Fund 009.

Figure 1 compares (1) the amount of super combo license fees the Department allocated in fiscal year 2005 to the dedicated stamp funds based on its methodology with (2) the amount of super combo license fees that could have been allocated to the dedicated stamp funds based on a proportional methodology.

Figure 1



Source: Department records and State Auditor's Office's calculations.

The Department should correct other issues that resulted in funds not being allocated to dedicated stamp funds.

The Department did not allocate \$3.6 million in net receipts from the sale of saltwater sportfishing stamps that were sold as part of fishing packages to a dedicated fund associated with that stamp in license year 2005. This conflicts with Texas Parks and Wildlife Code, Chapter 43, which, as discussed above, requires the Department to allocate the net receipts from the sale of a stamp to that stamp's dedicated fund. This occurred because of the following issues:

- The Department has not established a dedicated fund for the saltwater sportfishing stamp, even though it recognizes this revenue is dedicated to coastal fisheries enforcement and management.
- Title 31, Texas Administrative Code, Section 53.6 specifies that this stamp's fee is \$7 plus a surcharge of \$3; this rule further states that the price of any fishing package shall be the sum of the price of the individual items included in the package. Because the stamp cannot be purchased without paying the surcharge, net receipts from the sale of a saltwater

sportfishing stamp are the full price of the stamp, or \$10. However, the Department allocates only the \$3 surcharge to a fund that supplements its Buyback program for commercial licenses and allocates the remainder to Fund 009. This resulted in a \$3 million underallocation to the saltwater sportfishing stamp.

- Because of a miscommunication between the Department’s licensing division and its financial division, 100 percent of revenue from saltwater sportfishing stamps that were sold as part of Day-Plus fishing packages was allocated to Fund 009. This resulted in a \$613,670 underallocation to the saltwater sportfishing stamp. Day-Plus fishing packages do not have a fixed price (the price varies depending on the number of days for which the package is purchased). The licensing division’s plan was to temporarily allocate 100 percent of the stamp revenue to Fund 009, and then notify the finance division so it could manually calculate how much should be transferred to a dedicated fund for the saltwater sportfishing stamp. However, this did not occur. The Department is in the process of correcting this error.
- There were errors in the funding allocation table used to determine the percentage of a license fee that goes into the different components of a license package. This resulted in a \$47,479 overallocation to the saltwater sportfishing stamp.

The Department also did not allocate \$373,398 in net receipts from the sale of freshwater fishing stamps that were sold as part of fishing packages to the dedicated fund associated with that stamp in license year 2005. This conflicts with Texas Parks and Wildlife Code, Chapter 43. This occurred because of (1) a miscommunication between the licensing division and the financial division and (2) errors in the funding allocation table discussed above.

Recommendations

The Department should:

- Define “net receipts” in the methodology it uses to allocate revenue from super combo licenses to dedicated stamp funds and allocate revenue accordingly.
- Define “net receipts” for any other combination license for which the full amount of the stamp is not allocated to a restricted fund.
- Establish a restricted fund to track all the revenue generated from the sale of saltwater sportfishing stamps.
- Review and correct errors in its funding allocation table.

- Ensure that any changes made to the licensing system that affect the allocation of revenue are reviewed and approved by the finance division.

Management's Response

As noted in the discussion above, the Department documented our methodology to allocate funds from the super combo licenses and obtained the Parks and Wildlife Commission's approval of that allocation methodology. The allocation methodology starts with the net receipts from super combo sales and allocates those net receipts. Therefore, Commission approval of the methodology is tantamount to agreeing that the result is an appropriate definition of net receipts for the license and stamp portions of these sales.

Although not stated in the recommendation, the discussion included prior to the recommendation implies that the issue is not the precise language of our Commission approval but rather the allocation methodology approved by our Commission. Our methodology is "a user-based methodology that depends on harvest survey results". All of the surveys completed by the Department of the super combo users clearly indicate that the super combo is seldom purchased by a user intending to use each and every stamp in the package. Therefore, our approach is a reasonable approach to defining the allocation methodology or to interpreting "net receipts" in these circumstances.

Other approaches or interpretations may also be found by our Commission to be a reasonable and acceptable approach to allocating or defining net receipts. The Department acknowledges that reasonable people may differ in their evaluation of the preferable methodology or definition of "net receipts" to be used related to this allocation, however, we disagree that our choice of a particular allocation methodology has resulted in "the Department ... not comply[ing] with statute". Management will again discuss allocation methodology choices with the Commission and request that the Commission approve a methodology including an explicit definition of "net receipts" at the August 2006 Commission meeting.

The Department established an agency fund for the purpose of tracking the use of the net receipts from the sale of saltwater sportfishing stamps at the beginning of fiscal year 2006. The Department has also provided documentation to the SAO that, prior to the establishment of this agency fund, the use of these revenues authorized in the relevant statute far exceeded the amount of net receipts generated by the saltwater sportfishing stamp.

The Department has reviewed and corrected the errors contained in our funding table and has established a process ensuring a final review by the Finance Division of all license funding table changes.

Auditor Follow-Up Comment

The Department's current methodology does not consider the net receipts from the sale of each stamp. Texas Parks and Wildlife Code, Chapter 43, defines net receipts for a stamp as the amount collected after any collection fees. This means that a dedicated stamp fund should receive some amount from the sale of each individual stamp sold, whether the stamp is sold individually or as part of a combination package. As the Department states, its methodology allocates revenue among the restricted stamp funds from the sale of super combo licenses based on the stamp usage that hunters report. Therefore, the Department does not allocate revenue to each individual dedicated stamp fund from the sale of each super combo license.

The Department Adequately Monitors Its License Sales System, But It Should Strengthen Certain Controls Associated with That System

The Department has established a contract monitoring function as the State Auditor's Office recommended in 2001 and it adequately monitors the contractor for its licensing system; but it should strengthen certain controls associated with that system. Since the State Auditor's Office audit in 2001, the Department contracted for a new licensing system to manage the sale of and revenue collection from its hunting and fishing licenses. This helped the Department address the majority of the weakness identified in 2001.

The 2001 audit noted significant issues regarding licensing revenue not being retrieved from license agents' bank accounts. Based on our tests during this audit, the new licensing system ensures that the majority of revenue is retrieved from license agents' bank accounts in a timely and accurate manner. However, as discussed in Chapter 1 of this report, the Department is not able to independently verify that revenue is retrieved from all active license agents because it does not have a list of active agents for a particular time period.

The Department should require the contractor for the licensing system to strengthen its disaster recovery plan.

Although the Department effectively monitors the contractor, it should ensure that the contractor strengthens its disaster recovery plan for the licensing system. In fiscal year 2005, the licensing system exceeded the minimum of 99.5 percent up-time required by contract. However, the contractor's disaster recovery plan may not be adequate to ensure that the licensing system and services will be successfully restored in the event of a service interruption. The disaster recovery plan does not meet minimum requirements of the contract between the Department and the contractor. For example:

- The disaster recovery plan is not tested and updated at least once each calendar year. Prior to this audit, the Department had not received an updated copy of the contractor's disaster recovery plan since the contract's inception in 2001.
- The disaster recovery plan does not provide charts, diagrams, and written instructions that would be reasonably expected in a comprehensive disaster recovery plan.
- The disaster recovery plan does not include a roster of recovery personnel with telephone numbers where personnel can be contacted in case of an emergency.
- The disaster recovery plan does not include contractor support agreements.

- The disaster recovery plan does not include a detailed list of office equipment, supplies, hardware, software, or network configurations.

Neither the contractor nor the Department could provide evidence that the Department has ever reviewed and approved the contractor's disaster recovery plan. Weaknesses in the disaster recover plan place the Department's licensing process and its financial stability at risk. Requiring that the disaster recovery plan adheres to state guidelines would help the Department ensure that it could continue operations with little or no interruption in the event of a disaster.

The Department should require the contractor for the licensing system to strengthen password controls within the licensing system.

The Department should work with the contractor to improve the licensing system's password controls. The following weaknesses associated with password controls increase the risk of unauthorized access and fraudulent activity:

- Passwords of users at license agents never expire.
- Users at license agents are never locked out of the system after multiple failed login attempts.
- Passwords for users at the Department expire every 90 days; however, Department users can rotate between two passwords and, therefore, reuse their previous passwords.

The Department's contract with the contractor for the licensing system does not incorporate (1) the access requirements for state agencies that are contained in Title 1, Texas Administrative Code, Section 202.25, or (2) Department of Information Resources security recommendations for minimum password standards. The licensing system's security controls are managed by the contractor, and third parties are not subject to state requirements. However, not following such guidance could compromise system security.

The Department should strengthen its monitoring of revenue processed through the licensing system.

The Department has an adequate audit program to monitor that (1) revenue processed through the licensing system is posted in the system, (2) information is transferred to the Department so that it can update its accounting system, and (3) revenue is retrieved and placed into the State Treasury. However, there are weaknesses in certain aspects of the Department's sample selection for that monitoring process that do not follow statistical guidelines:

- The Department does not select its sample from the true population of license agents. To select its sample, the Department establishes a population from

all license agents that were active as of the last day of the month. Therefore, if a license agent was not active at the end of the month, its sales are not included in the population. Conversely, if a license agent became active during the month, the Department establishes the population as if that license agent had sales every day of the month.

- The Department excludes from its sample records from license agents that do not respond to its requests for information. The Department tests a sample of approximately 62 records to be able to project with a predetermined level of assurance that the revenue recorded in the licensing system is complete, accurately recorded in its accounting system, and has been collected. However, a high number of license agents--approximately 30 percent--do not respond to the Department's request for records. Therefore, the Department selects 200 records and tests at least 62 records from the license agents that do respond. Because the Department tests only records from the license agents that respond, the sample and the testing results lose their statistical validity. This means that the Department is probably testing only those license agents that are in compliance.

Without following statistical procedures, the Department does not have assurance that its testing of the licensing system is adequate to ensure that the system is processing sales and retrieving revenue as intended. The Department's current methodology provides assurance only about how the licensing system processed the transactions associated with the specific records tested, not for all records for the period tested.

Recommendations

The Department should:

- Review and approve the disaster recovery plan prepared by the contractor for its licensing system to ensure that plan meets minimum contract requirements.
- Monitor the contractor to ensure that it tests and updates its disaster recover plan annually.
- Consider amending its contract with the contractor for the licensing system to ensure that the contractor's disaster recovery plan contains all of the elements required by Title 1, Texas Administrative Code, Section 202.24, and the Department of Information Resources' *Business Continuity Planning Guidelines*.
- Consider amending its contract with the contractor for the licensing system to ensure that the contractor complies with all of the elements required by Title 1, Texas Administrative Code, Section 202.25, and the

Department of Information Resources' security recommendations for minimum password standards.

- When renewing its contract with the contractor for the licensing system, consider requiring the contractor to obtain an audit examination of the licensing system in accordance with the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standard (SAS) No. 70. This examination helps to ensure that an organization has had an in-depth audit of its control activities, including controls over information technology and related processes.
- Follow statistical procedures to ensure that its testing of the licensing system can provide some assurance that transactions are adequately processed and revenue is recorded and collected.

Management's Response

Management will request an annual update of the contractor's disaster recovery plan for our review. Management meets quarterly with the contractor and will request that the contractor's comply with Title 1, Texas Administrative Code, Section 202.25, the Department of Information Resources' security recommendations for the minimum password standards and the Department of Information Resources' Business Continuity Planning Guidelines. Management agrees that any contract for a new license implementation will include a requirement that the vendor obtain an audit examination of the licensing system in accordance with the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standard (SAS) No. 70.

Management intends to continue to improve our testing of the license system and will pursue changes in our next license system implementation that support the recommended improvement to testing. In addition, management intends to address the failure of certain agents to respond to our requests for information through audits of high-risk agents that we intend to implement by the end of June, 2006.

The Department Should Implement a Process to Monitor License Agents

As the State Auditor's Office reported in 2001, the Department does not have adequate procedures to monitor license agents (such as retailers) that sell licenses on its behalf. Specifically:

- The Department does not have an audit program to monitor license agents' compliance with contract requirements.
- The Department's current contract requires license agents to maintain sales receipts as the State Auditor's Office recommended in 2001. The Department indirectly monitors license agents' retention of these receipts through its monitoring of the licensing system. However, under the Department's current practice, license agents may decline monitoring, not submit requested information, or not maintain required documentation, and there is no penalty for any of these actions. License agents that do not provide the requested information are probably the highest risk for having erroneous or potentially fraudulent transactions.
- The Department has an adequate process to track (1) transactions that license agents have voided or misprinted and (2) when license agents must submit those transactions to the Department. License agents are also able to run a report from the licensing system that shows which transactions they have voided or misprinted and, therefore, should submit to the Department. However, the Department does not enforce its contract requirement that license agents return voided and misprinted licenses within 45 days to receive a credit for each of these transactions. Instead, the system immediately credits a license agent's account for voided or misprinted transactions. ("Receiving a credit" for these transactions means that the license fees associated with those transactions will not be retrieved and deposited into the State Treasury.)

As of January 3, 2006, license agents had not returned 36,628 voided and 766 misprinted licenses that were processed during license year 2005. The State could lose revenue if any of those voids or misprints are not valid. The Department credited at least \$1.2 million to the accounts of the license agents associated with the 36,628 voids and 766 misprints that have not been returned to the Department.

Recommendations

The Department should:

- Develop an audit program to monitor license agents' compliance with contract requirements and perform a risk assessment to select license agents for review that have the highest volume of transactions or the highest risk.
- Discontinue the practice of allowing license agents to decline monitoring, not submit requested information, or not maintain required documentation. It should also include this noncompliance as a high-risk indicator in the risk assessment process.
- Credit license agents' accounts only after receiving voided or misprinted licenses, as stated in the license agent contract. It should also include this non-compliance as a high-risk indicator in the risk assessment process.

Management's Response

Management intends to develop criteria for defining a high-risk agent that includes agents experiencing an unusual amount of voids or misprints, agents that fail to send in their voided licenses, and agents that fail to respond to our requests for information. These high risk agents will be audited using the data available on our system. These audits will start by the end of June, 2006. Management has submitted a request to the license vendor to estimate the cost and time involved in effectively implementing the system feature to accomplish an agent charge for voids. While management has not received a response from the vendor, we would anticipate that the vendor should be able to fulfill our request by September 1, 2006. Management will modify the license agent contract to ensure consistency.

Expenditures the Department Made from Fund 009 Comply with Applicable Restrictions

Audit tests of 81.9 percent of expenditures from Fund 009 indicated that the Department has adequate controls to ensure that expenditures made from that fund comply with applicable restrictions. Auditors selected two statistical samples: one from payroll expenditures and one from non-payroll expenditures. Additional testing was performed to determine whether payroll from the supporting divisions charged to Fund 009 followed the Department's payroll funding methodology. Our testing did not identify any errors.

Management's Response

Management agrees.

The Department Has Fully or Substantially Implemented 80 Percent of Prior Recommendations That Were Still Applicable and on Which Auditors Followed Up During This Audit

The Department has made significant efforts to correct the majority of weaknesses in management and oversight of its licensing system that were identified in the State Auditor's Office's 2001 audit report. During this audit, auditors followed up on 16 recommendations. Six of those recommendations were no longer applicable primarily because the Department has implemented a new system and has improved its contracts with license agents. Of the remaining 10 recommendations:

- The Department has fully or substantially implemented eight (80 percent). Chapters 3, 4, and 5 of this report provide details on some of these issues.
- The Department's implementation of two recommendations (20 percent) is incomplete or ongoing. Detailed information on the implementation of these recommendations is included in this report: (1) Non-compliance with requirements to obtain license applicants' Social Security numbers is discussed in Chapter 2 of this report and (2) issues regarding the Department's methodology to allocate revenue among dedicated stamp funds are discussed in Chapter 3 of this report.

Appendix 2 contains detailed information about the implementation status of each recommendation on which auditors followed up.

Recommendations

The Department should fully implement the recommendations listed in Appendix 2 that are still applicable and that have not been fully implemented.

Management's Response

Management will continue to implement recommendations as described in our responses.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The audit objectives were to:

- Determine whether the Department has controls in place to ensure:
 - ♦ The collection of all revenue from hunting and fishing licenses and stamps and boat registrations.
 - ♦ The proper accounting and reporting of revenue and expenditures in the Game, Fish, and Water Safety Account (Account 009).
 - ♦ Adequate oversight of its contracted License Sales System (the point-of-sale system) and license agents.
- Determine whether the Department administers Account 009 in accordance with applicable laws and regulations.

Scope

The scope of this audit included reviews and analyses of the Department's:

- Oversight, management, and revenue collection processes for its licensing system for license year 2005
- License agents (retailers) contract monitoring
- Methodology for allocating revenue to statutorily restricted dedicated stamp funds for license year 2005
- Collection and distribution of revenue from boat registration and titling fees and taxes for fiscal year 2005
- Compliance with key laws and statutes

The scope also included the automated systems used for selling and recording all license types offered by the Department and boat registration, titling and taxes.

Methodology

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with Department management and staff.

Information collected and reviewed included the following:

- Information from interviews with Department executive management, divisional management, and staff
- Minutes of Parks and Wildlife Commission meetings
- Department budgets, surveys and memorandums, and policies and procedures
- Data in the licensing system database
- Information from interviews with the contractor for the Department's licensing system
- Contracts with the contractor for the Department's licensing system and contracts with license agents
- The Department's audit program for auditing the licensing system and results from its audits
- *Texas License Connection Point of Sale Licensing Agent Training Manual* (dated 2001)
- Licensing system data dictionary (dated 2001)
- *Texas Outdoor Annual Magazine* (2004-2005)

Procedures and tests conducted included the following:

- Tested the licensing system database provided by the Department and compared it with the contractor's totals for license year 2005 sales to determine completeness of the database.
- Tested a random sample of revenue selected from two different months to determine whether the licensing system is retrieving license revenue from license agents' bank accounts that is recorded in the licensing system.
- Analyzed the licensing system database to determine the number of licenses sold to ineligible applicants based on age and residency status.
- Statistically selected one sample for boat registration fees, titling fees, and taxes processed by Department's field offices, the Comptroller of Public

Accounts, and county tax collectors/agents and performed testing to verify that this revenue was processed properly.

- Reviewed the Department's 2005 methodology for allocating revenue from super combo licenses and tested for compliance with applicable statutes.
- Tested allocation of revenue for selected combination licenses other than super combo licenses.
- Reviewed the Department's reconciliation of its accounting system to the Uniform Statewide Accounting System (USAS) for sales processed through the licensing system.
- Reviewed the Department's contract with the licensing system contractor to determine whether the Department and the contractor are meeting contract requirements.
- Reviewed the Department's contract with license agents to determine whether the Department and license agents are meeting contract requirements.
- Tested a random sample of individuals with access to USAS to determine what level of access they were assigned.
- Analyzed the licensing system database to determine the number of license applications that did not have an accurate Social Security number.
- Analyzed the licensing system database to determine the number of applicants that may not be in compliance with the Harvest Information Program (HIP) certification requirements.
- Determined adequacy of controls over Fund 009 expenditures by testing a statistical sample of employees paid from Fund 009 and a statistical sample of non-payroll expenditures. Also judgmentally selected a supporting division to determine whether payroll for that division was charged to Fund 009 based on the Department's payroll methodology.

Criteria used included the following:

- Texas Parks and Wildlife Code, Chapters 11, 12, 31, 43 , 46 and 50
- Texas Government Code, Chapter 404
- Texas Tax Code, Chapter 160
- Title 31, Texas Administrative Code, Chapter 53, 55 and 65
- Texas Family Code, Section 231.302

- Title 1, Texas Administrative Code, Chapter 202
- General Appropriations Act (78th Legislature)
- Department plans, policies, and procedures
- Title 50, Code of Federal Regulations, Chapter 20
- Comptroller Manual of Accounts
- Title 42, United States Code, Chapter 666

Audit fieldwork was conducted from December 2005 through February 2006. This audit was conducted in accordance with generally accepted government auditing standards.

The following members of the State Auditor's staff performed the audit:

- Ileana Barboza, MBA, CGAP (Project Manager)
- James M. Yerich, CGFM (Assistance Project Manager)
- Harriet Fortson, M.Acy
- Arby Gonzales
- Andrew Reardon, MS Acct
- Rene Valadez
- James (Tony) White
- Marlen Randy Kraemer, MBA, CISA (Information Systems Audit Team)
- Serra Tamur, MPAff, CISA, CIA (Information Systems Audit Team)
- J. Scott Killingsworth, CIA, CGFM (Quality Control Reviewer)
- Nicole M. Guerrero, MBA, CGAP (Audit Manager)

Implementation Status of State Auditor's Office Recommendations Made in 2001

The Department has made significant efforts to correct the majority of weaknesses in management and oversight of its licensing system that were identified in the 2001 State Auditor's Office audit report (*An Audit Report on Revenue Management at the Parks and Wildlife Department*, SAO Report No. 02-006, October 2001).

During this audit, auditors followed up on 16 recommendations. Six of those recommendations were no longer applicable primarily because the Department has implemented a new system and has improved its contracts with license agents. Of the remaining 10 recommendations:

- The Department has fully or substantially implemented eight (80 percent).
- The Department's implementation of two recommendations (20 percent) is incomplete or ongoing.

The text box and Table 1 below define the degrees of implementation and summarize the implementation status of each prior recommendation reviewed.

| Prior Recommendations for Which Implementation Status Was Audited | | |
|---|---|---|
| The State Auditor's Office followed up on the implementation status of 16 prior audit recommendations in <i>An Audit Report on Revenue Management at the Parks and Wildlife Department</i> (SAO Report No. 02-006, October 2001) that were directly related to the Department's oversight and management of its licensing system. | | |
| Definition of Degrees of Implementation of Prior Audit Recommendations | | |
| Degree of Implementation | Definition | Number of Prior Audit Recommendations in Category |
| Fully Implemented | Successful development and use of a process, system, or policy to implement a prior recommendation | 5 |
| Substantially Implemented | Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation | 3 |
| Incomplete/Ongoing | Ongoing development of a process, system, or policy to address a prior recommendation | 2 |
| No Longer Applicable | Original recommendation made in 2001 is no longer applicable. | 6 |

Table 1

| Status of the Department's Implementation of 2001 Audit Recommendations on Which Auditors Followed Up During This Audit | | |
|---|---------------------------|---|
| Recommendation | Implementation Status | Auditor Comments |
| Establish a contract monitoring function to oversee the new License Sales System (LSS) contract. The Department should periodically audit the POS contractor and license deputies to ensure all revenue is collected and received. | Substantially Implemented | The Department established a formal monitoring function and hired a contract monitor to carry out this function, but this function can be improved. The Department adequately monitors the contractor for its licensing system, but it should strengthen certain controls associated with that system The Department does not have adequate procedures to monitor license agents (such as retailers) that sell licenses on the Department's behalf. |
| Ensure that there is adequate reconciliation of the licensing system revenue. Should the Department assign this function to the contractor, it should periodically audit the contractor's performance of the reconciliation. | Substantially Implemented | The Department monitors its licensing system to determine whether license fees recorded in the system are retrieved, but its testing does not follow statistical guidelines and results cannot be projected to the population. Therefore, management does not have adequate assurance regarding the performance of the system based on this testing. However, auditors' testing showed that the amounts recorded in the system are retrieved in an adequate and timely fashion. |
| The Department should screen license deputies for eligibility to conduct business with the State. | Fully Implemented | The contractor no longer makes a determination regarding who qualifies as a license agent. The Department makes this determination and requires a license agent to be in good standing with the State of Texas. |
| Comply with state and federal requirements relating to providing social security numbers. | Incomplete/ Ongoing | The Department's contracts with license agents do not require agents to collect Social Security numbers from each license purchaser. Although the licensing system is programmed to make the Social Security number a mandatory field for certain equipment based on a predetermined range of age, this feature is not used. |
| Require license deputies to retain copies of licenses printed out by the POS terminal. | Substantially Implemented | The Department's contracts with license agents require them to retain a copy of the dealer receipt for each sale for three years following the end of the calendar year during which the sale was completed. However, the Department does not enforce this contract requirement. |
| Work with the Parks and Wildlife Commission and its stakeholders to develop a standard method to allocate proceeds from super combo license sales to the statutorily restricted funds. | Incomplete/ ongoing | The Department's new allocation methodology is not in compliance with Texas Parks and Wildlife Code, Chapter 43, which requires that a stamp's net receipts be set aside for a specific purpose. |
| Document its method for allocating super combo revenue. Any changes to this method should be approved by the Parks and Wildlife Commission prior to adjusting fund balances. | Fully Implemented | The Department documented its methodology to allocate funds from super combo licenses, and it obtained the Parks and Wildlife Commission's approval of that allocation methodology prior to making fund balance adjustments. |
| Open all mail in the mailroom to identify and log in all revenue and perform an independent reconciliation of deposits to the receipt log. | Fully Implemented | Current mail procedures appear adequate. |
| Send all revenue received in the mailroom directly to the cashier for safeguarding or deposit. | Fully Implemented | Current mail procedures appear adequate. |

| Status of the Department's Implementation of 2001 Audit Recommendations on Which Auditors Followed Up During This Audit | | |
|--|-------------------------------------|---|
| Recommendation | Implementation Status | Auditor Comments |
| Complete its reconciliation of revenue (USAS and IFS). | Fully Implemented | The Department has reconciled its accounting system (IFS) to USAS for 2005. |
| Conduct additional audits to determine the amount of uncollected revenue and take appropriate action to recover any funds due to the State. In lieu of auditing every license deputy, the Department could conduct a statistically valid sampling to identify the extent of unswept license sales revenue. | Recommendation No Longer Applicable | The 2001 recommendation is no longer applicable because the Department replaced its licensing system since the 2001 audit. |
| Ensure that license deputies retain historical records on sales transactions until the Department can quantify the problem of uncollected revenue. | Recommendation No Longer Applicable | The 2001 recommendation is no longer applicable because the Department replaced its licensing system since the 2001 audit. Additionally, the Department's new contracts require license agents to retain these records. |
| Consider requiring license deputies to maintain separate bank accounts for license sale receipts. | Recommendation No Longer Applicable | The 2001 recommendation is no longer applicable because current testing shows that the contractor is sweeping revenue recorded in the licensing system and bad debt is immaterial. |
| Ensure it is in compliance with the State's three-day deposit requirement for license sale revenue or obtain a waiver with reasonable justification. | Recommendation No Longer Applicable | The 2001 recommendation is no longer applicable. The Department notified the Comptroller of Public Accounts (Comptroller) and the State Auditor's Office (SAO) as required by Texas Government Code, Section 404.094, about the reason for not retrieving license fees from license agents more often and requested a waiver from the three-day rule as recommended by the SAO. The Comptroller noted that the Texas Government Code does not provide for a waiver. It further stated that the SAO should calculate interest lost and determine whether it was in the State's best interest to retrieve these funds more often. Based on the SAO's calculations, the additional interest that could be earned as a result of retrieving these funds more often does not make the cost of amending contracts with license agents economically feasible. |
| Consider requiring the LSS contractor to sweep license sale receipts for its largest vendors on a daily basis to maximize interest earnings. | Recommendation No Longer Applicable | See above comment. In addition, the Department made changes to retrieve license fees from its largest license agents on Wednesdays in order to collect weekend sales as soon as possible. This reduces the amount of interest lost. |
| Inform the POS contractor in a timely fashion of any changes to the allocation method for the super combo revenue. Make timely adjustments to the Department's USAS deposits to reflect accurate fund balances. | Recommendation No Longer Applicable | This recommendation is no longer applicable because, under the new licensing system, 100 percent of super combo license revenue is initially allocated to Fund 009. Allocation to the corresponding restricted funds is manually computed and revenue is transferred through a journal entry. |

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The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Jim Keffer, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Members of the Parks and Wildlife Commission

Mr. Joseph B.C. Fitzsimons, Chairman
Mr. Donato D. Ramos, Vice-Chairman
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Mr. Robert L. Cook, Executive Director



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