



Department of Fish and Game:

Its Limited Success in Identifying Viable Projects and Its Weak Controls Reduce the Benefit of Revenues From Sales of the Bay-Delta Sport Fishing Enhancement Stamp

October 2008 Report 2008-115



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October 16, 2008

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Department of Fish and Game's (Fish and Game) administration of the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) program.

The report concludes that Fish and Game's use of the money collected from fish stamp sales has been limited. Specifically, although sales of fish stamps began on January 1, 2004, Fish and Game did not consistently begin funding fish stamp projects until fiscal year 2006-07. As a result, although sales of fish stamps have generated more than \$8.6 million in revenue and interest, Fish and Game has only spent \$1.6 million on projects and administrative costs, leaving a surplus of \$7 million.

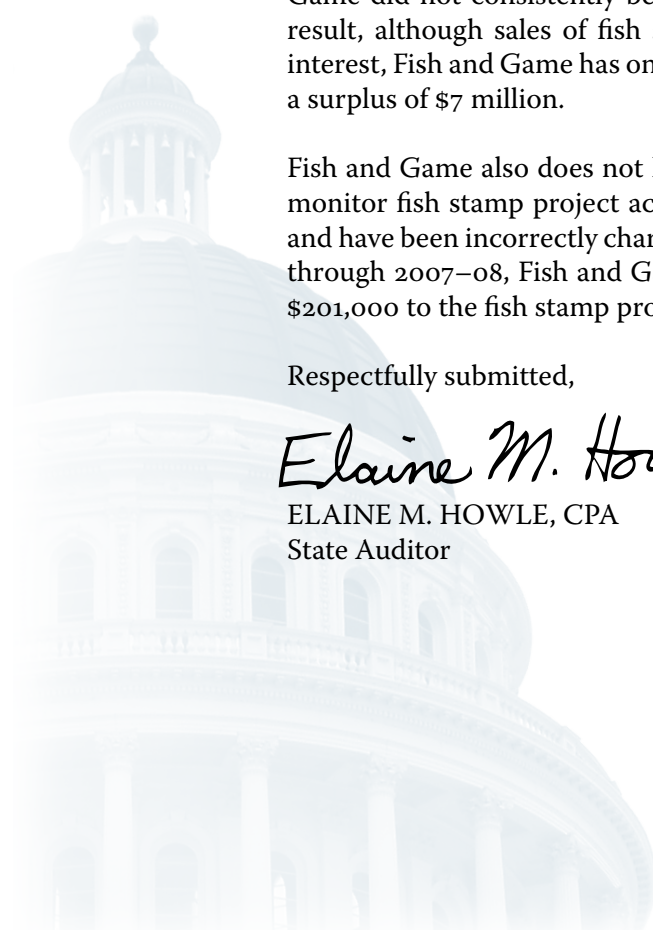
Fish and Game also does not have a sufficient system of internal or administrative controls to monitor fish stamp project activity. As a result, project expenditures are difficult to reconcile and have been incorrectly charged to other funding sources. Finally, during fiscal years 2005-06 through 2007-08, Fish and Game inappropriately charged expenditures totaling an estimated \$201,000 to the fish stamp program that were unrelated to fish stamp activities.

Respectfully submitted,



Elaine M. Howle

ELAINE M. HOWLE, CPA
State Auditor



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Summary

Results in Brief

The mission of the Department of Fish and Game (Fish and Game) is to manage California's diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological values and for their use and enjoyment by the public. To facilitate this mission, the department deposits in the Fish and Game Preservation Fund (preservation fund) the money collected under the State's Fish and Game Code. The preservation fund's major source of revenue is the sale of hunting and fishing licenses.

State law requiring certain anglers to purchase the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) became effective on January 1, 2004, and it mandates that revenue generated from sales of the fish stamp be maintained in a separate account within the preservation fund. State law also requires that Fish and Game spend the funds in that account only for activities that promote sportfishing opportunities or that provide long-term, sustainable benefits either to the primary sportfishing population or to anglers in the areas defined as *bay-delta regulated waters*. These areas encompass the tidal waters of the San Francisco Bay and Delta, the Sacramento-San Joaquin Delta, and their tributary rivers to the most downstream dam.

Fish and Game's use of the money collected from fish stamp sales has been limited. The increasing balance in the account into which Fish and Game deposits the money does not benefit those currently paying the fish stamp fee. Although sales of fish stamps began on January 1, 2004, Fish and Game did not consistently begin funding projects using fish stamp revenues until fiscal year 2006-07. Fish stamp sales during fiscal years 2003-04 and 2004-05 totaled \$2.9 million, but Fish and Game did not attempt to obtain spending authority or identify any projects to fund during that time, and it funded only three projects during fiscal year 2005-06. The fish stamp advisory committee (committee), which consists of up to nine members appointed by the director of Fish and Game, also has been slow to identify and recommend projects.

Fish and Game had annual spending authority of \$386,000 for fiscal year 2005-06 and a total of about \$1.8 million for both fiscal years 2006-07 and 2007-08. However, while fish stamp revenues and interest have totaled \$8.6 million since the inception of the program in 2004, the amounts approved for project funding (commitments) have totaled only \$2.6 million, and actual project and administrative expenditures totaled just \$1.6 million through fiscal year 2007-08. As of June 30, 2008, the fish stamp account had an unspent balance of more than \$7 million, although a portion

Audit Highlights . . .

Our review of the Department of Fish and Game's (Fish and Game) administration of the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) program revealed the following:

- » *Fish and Game's use of the money collected from fish stamp sales has been limited.*
- » *Fish and Game and the fish stamp advisory committee (committee) have been slow in identifying and approving projects.*
- » *As of June 30, 2008, the fish stamp account had an unspent balance of over \$7 million, although a portion of this amount was committed to approved projects that have not yet been funded.*
- » *Fish and Game does not have an accurate accounting of either its administrative expenditures or individual project expenditures for the fish stamp program.*
- » *Periodic reports Fish and Game provides to the committee do not include all the required information.*
- » *During fiscal years 2005-06 through 2007-08, Fish and Game spent an estimated \$201,000 in fish stamp funds to pay for payroll costs and goods and services unrelated to fish stamp activities.*

was committed to approved projects that have not yet been funded. Thus, individuals who purchase the fish stamp are not obtaining the full benefit of the fees they are required to pay.

Furthermore, Fish and Game lacks adequate controls over the fish stamp program. Accounting records do not clearly identify whether expenditures are for administrative or project costs. With one exception, the accounting system does not allow staff to trace expenditures to a specific project. Although individual project managers attempt to track the costs of projects for which they are responsible, they do not always have complete information because not all expenditures charged to specific fish stamp projects are routed to them for approval. Neither the project managers nor the Fish and Game accounting services branch reconciles to the accounting records the information maintained by project managers. In fact, a reconciliation would be very difficult to complete since the accounting system does not typically identify expenditures by project. As a result, Fish and Game does not have an accurate accounting of either the administrative expenditures or individual project expenditures for the fish stamp program.

Additionally, the periodic reports Fish and Game provides to the committee do not include project expenditures or detailed information on project status. Rather than report the actual expenditures and status of each project as required by law, Fish and Game reports only the amount of funds committed for each project. Moreover, Fish and Game has presented to the committee inaccurate information, including information related to its spending authority. This failure to provide clear information to the committee results in Fish and Game and the committee being less able to recommend appropriate projects to fund and less informed on the status of ongoing projects.

We also identified expenditures that Fish and Game charged inappropriately to the fish stamp account. The law specifying allowable uses of fish stamp revenue is broad, but based on our review of a sample of expenditures, Fish and Game does not ensure that the money is used appropriately. We estimate that during fiscal years 2005–06 through 2007–08, Fish and Game spent more than \$201,000 for payroll costs and for goods and services unrelated to fish stamp activities. In addition, we identified an instance in which Fish and Game charged its general fund appropriation for rent that the fish stamp account should have paid. Lastly, Fish and Game did not charge any administrative costs to this account in fiscal years 2003–04 and 2004–05 even though it incurred costs related to the program during those years. Because of Fish and Game's accounting control weaknesses, estimating the amount of

administrative costs incurred during that time is difficult; however, at a minimum, Fish and Game incurred costs totaling \$18,000 to print the stamps.

Recommendations

To ensure that the fish stamp fulfills its intended benefit, Fish and Game should work with the committee to develop a spending plan that focuses on identifying and funding viable projects and on monitoring revenues to assist Fish and Game in effectively using the fish stamp revenues.

To track and report project costs adequately, Fish and Game should do the following:

- Improve the tracking of individual project expenditures by assigning each fish stamp project its own project cost account within the accounting system.
- Require that project managers approve all expenditures directly related to their projects. Project managers should periodically reconcile to accounting records the records for their respective projects and should report expenditures to the staff responsible for preparing the advisory committee reports.

To make certain that it provides complete and accurate information to the committee, Fish and Game should do the following:

- At least annually, provide the committee with written reports of actual project expenditures and detailed information on project status as well as total administrative expenditures.
- Ensure that the information it communicates to the committee is accurate.

Fish and Game should reimburse its general fund appropriation for the lease payments that should have been paid from the fish stamp account.

To ensure that employees appropriately charge their time to fish stamp projects, Fish and Game should take these steps:

- Provide guidelines to Fish and Game employees concerning when to charge activities to the fish stamp account.
- Discontinue the current practice of charging payroll costs to the fish stamp account for employee activities we identified as not pertaining to the program. In addition, Fish and Game

should determine whether it inappropriately charged any other expenditures to the fish stamp account and make the necessary accounting adjustments.

Agency Comments

Fish and Game agrees with our recommendations and states that it is taking action to address them.

Introduction

Background

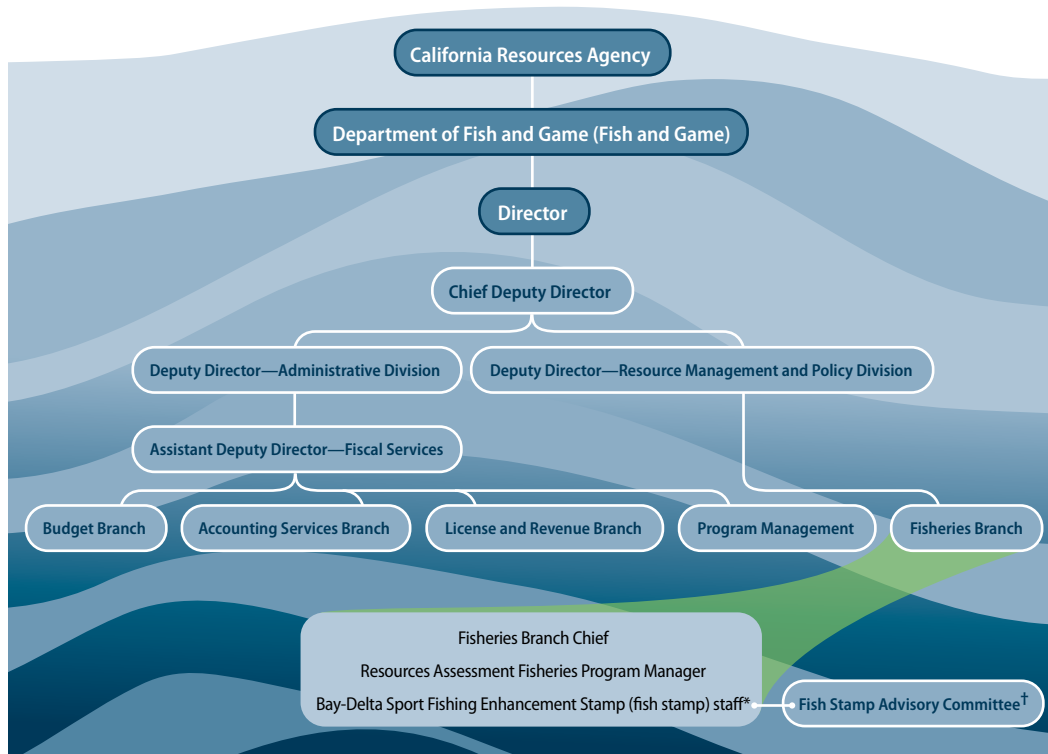
The Department of Fish and Game (Fish and Game) for the State maintains native fish, wildlife, plant species, and natural communities for their ecological value and benefits to people. To accomplish its objectives, Fish and Game promotes and maintains fish and wildlife programs for diverse purposes, including recreation, business, science, and education. To help fund these programs, Fish and Game collects fees and issues various licenses, tags, and permits for activities such as fishing and hunting. Fish and Game currently uses money from 37 funds, including the Fish and Game Preservation Fund (preservation fund) to pay for its administrative activities and for assorted state and local projects. Figure 1 on the following page is a partial organizational chart that displays the relationship between the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) program and other entities within Fish and Game.

Fish and Game Preservation Fund

State law generally requires that all money collected under the Fish and Game Code or any other law relating to the protection and preservation of birds, mammals, fish, reptiles, or amphibians should be deposited in the preservation fund. Fish and Game is to use the preservation fund to help pay Fish and Game's expenditures in carrying out the provisions of the Fish and Game Code. State law generally requires that money in the fund be available to Fish and Game only upon appropriation by the Legislature—referred to in this report as Fish and Game's receiving *spending authority*. Fish and Game is to spend all revenue collected and deposited into the fund to support preservation fund programs only. Within the fund, various accounts hold certain revenues or receipts restricted for specific purposes.

The preservation fund consists of 26 accounts—25 dedicated accounts and one nondedicated account. Each dedicated account has a specific purpose with restrictions on how funds can be used, while the nondedicated account can pay for various costs Fish and Game incurs in carrying out provisions of the Fish and Game Code. The fish stamp account is one of the dedicated accounts within the preservation fund.

Figure 1
Organization Chart Related to the Department of Fish and Game's Oversight of the Bay-Delta Sport Fishing Enhancement Stamp Program



Sources: Fish and Game's organization charts and duty statements as well as Fish and Game Code, Section 7362.

Note: Project managers at various levels within Fish and Game are responsible for managing the fish stamp projects.

* The fish stamp staff consists of two individuals who have the job title of environmental scientist. Their responsibilities include providing support services to the advisory committee and soliciting, reviewing, developing, and overseeing projects and their associated contracts.

† Fish and Game's director appoints the nine advisory committee members.

Fish Stamp Program

Effective January 1, 2004, state law prohibits a person from sportfishing in the San Francisco Bay and Delta unless he or she has purchased a fish stamp. Under the law, Fish and Game deposits in the fish stamp account within the preservation fund all fees received through sales of the fish stamp. The law requires Fish and Game to spend the fees collected on activities that promote sportfishing opportunities or that provide long-term, sustainable benefits either to the primary sportfishing population or to anglers in the areas defined as bay-delta regulated waters. Appendix A provides a map illustrating the regulated waters.

State law also establishes an advisory committee (committee) to recommend projects to fund with fish stamp money. The committee consists of up to nine members, each appointed by the director of

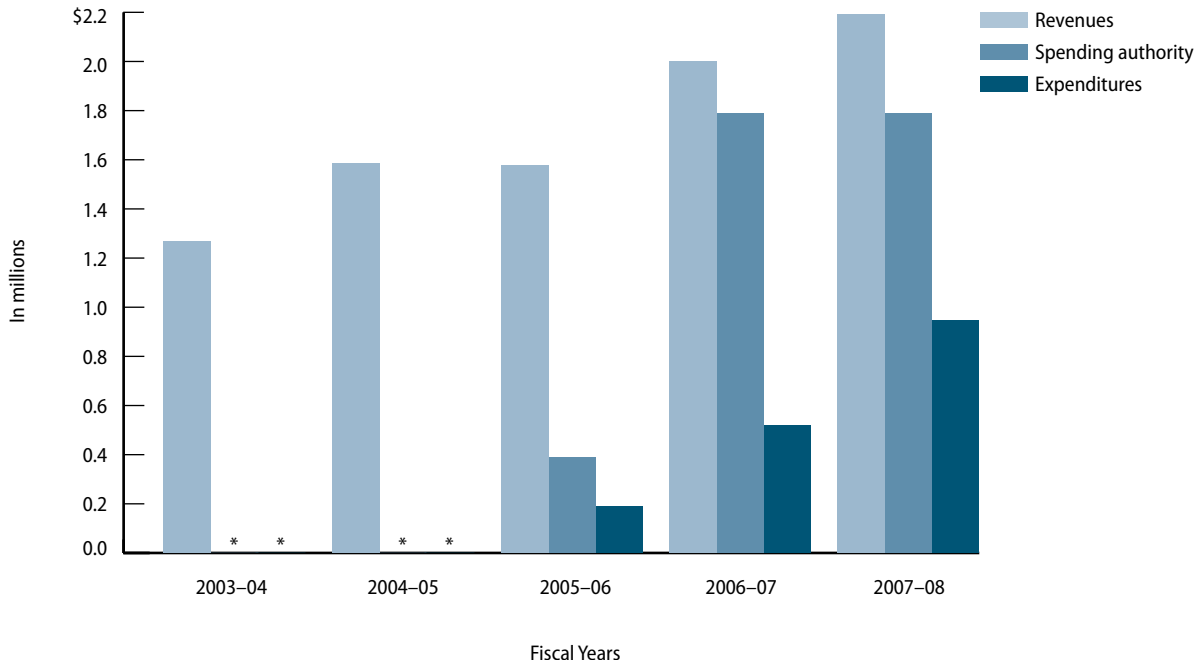
Fish and Game, for a term not to exceed four years. The director must select the members from names submitted by anglers and associations representing bay-delta anglers and must appoint members who possess experience in subjects of specific value to the committee. Fish and Game is required to provide the committee, at least annually, an accounting of funds derived from sales of fish stamps, including the number of stamps sold, funds generated and spent, and the status of projects funded. In addition, Fish and Game must provide its rationale whenever it chooses not to undertake a project the committee recommends.

Fish and Game's License and Revenue Branch (license and revenue branch) manages the sale and accounting of fish stamps. Fish stamps and licenses are sold at Fish and Game offices or through a network of 2,000 retail vendor outlets located throughout the State. Fish and Game, in an effort to encourage vendor participation and to provide convenient locations for customers to purchase the stamp, allows retail vendors to charge a 5 percent handling fee for each fish stamp sold. The retail vendors may receive fish stamps on a consignment basis or pay cash when they receive the stamps. Consignment vendors, who essentially hold the fish stamps for Fish and Game until sold, are required to report sales on a monthly basis. Vendors who pay cash do not have reporting requirements because Fish and Game immediately records the fish stamps as sales. However, Fish and Game can reimburse these vendors for unsold stamps.

The balance in the fish stamp account earns interest as soon as Fish and Game deposits proceeds from sales of the stamps in the State's Pooled Money Investment Account. The State Treasurer's Office manages this account and invests the fish stamp money along with the excess cash from many other state funds. From the inception of fish stamp sales in January 2004 through June 30, 2008, the license and revenue branch has sold a total of 1.5 million fish stamps, generating \$7.7 million in revenue, and has earned nearly \$906,000 in interest for the fish stamp account.

Individuals can purchase annual fish stamps, which are valid only for the calendar year, or they can make a one-time purchase of a lifetime stamp through the Fish and Game lifetime license program. Fish and Game deposits revenues from the sale of lifetime licenses into a special lifetime trust fund and periodically transfers funds from the lifetime trust fund to the fish stamp account. Figure 2 on the following page shows fish stamp revenues, spending authority, and expenditures by fiscal year from the program's inception through June 30, 2008. The figure does not depict lifetime fish stamp sales because they represent less than 1 percent of total fish stamp sales.

Figure 2
Revenues, Spending Authority, and Expenditures Related to the Bay-Delta Sport Fishing Enhancement Stamp



Sources: California State Accounting and Reporting System and the State's budget acts.

Note: Expenditures do not include encumbrances, which are funds set aside for future expenditures, and revenues do not include lifetime stamps because they represent less than 1 percent of total sales.

* Indicates \$0.

Spending Authority and Project Approval Process Involving Fish Stamp Funds

The Legislature annually passes a budget act, which is the predominant method by which the Legislature appropriates funds. The budget act or other law must establish an appropriation before Fish and Game can use any fish stamp money for approved projects. This budget approval is typically referred to as the state agency's *spending authority*. State agencies requesting an appropriation or desiring to change an appropriation are required to submit a budget change proposal (BCP) to the Department of Finance (Finance) for review and analysis within a predetermined time frame. If Finance approves the BCP and the Legislature appropriates money, the state agency has the authority to spend funds from the applicable funding source.

During fiscal years 2003-04 through 2005-06, Fish and Game also had the ability to provide additional funding for fish stamp activities by reallocating to the fish stamp account any unused funding from other accounts within the preservation fund. In those years, the annual budget act identified the amount appropriated from the preservation

fund as one separate line item without designating specific amounts for any of the accounts in the fund. Therefore, Fish and Game could decide how to allocate the total spending authority among the various accounts within the preservation fund. For example, in fiscal year 2003–04, Fish and Game received authorization to spend a total of \$90.9 million in preservation funds. However, actual expenditures totaled only \$88.7 million for that fiscal year, leaving \$2.2 million that it could have reallocated to other accounts within the preservation fund, including the fish stamp account. In fiscal year 2006–07, Finance as well as Fish and Game implemented policies that require approval by Finance and the Legislature for any reallocations of funding among the accounts within the preservation fund.

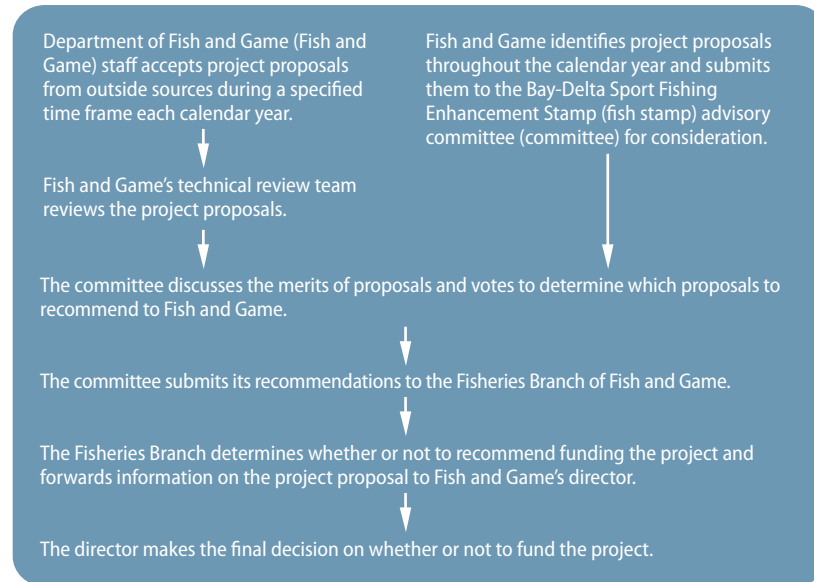
After receiving spending authority, Fish and Game can fund fish stamp projects that it has approved, and it can pay for related administrative expenditures. Fish and Game staff can submit fish stamp project proposals to the committee. Additionally, such outside sources as nonprofit organizations and public agencies can submit project proposals. The role of the committee is to evaluate the merits of proposed projects and to recommend to the Fisheries Branch of Fish and Game projects that promote sportfishing opportunities or that provide long-term, sustainable benefits to either the primary sportfishing population or anglers in the areas defined as *bay-delta regulated waters*. Nevertheless, Fish and Game can fund projects regardless of the committee's recommendation. Figure 3 on the following page illustrates the process by which the committee evaluates and recommends project proposals.

The types of projects funded by the fish stamp include angler access, scientific research and monitoring, enforcement, fisheries conservation, and education. In addition, many of the projects approved for funding are cost-sharing proposals, with funding provided by two or more sources. For example, the Central Valley Angler Survey project—a scientific research and monitoring project using angler survey data to improve fishing opportunities and sport fish management under the federal Sport Fish Restoration Act—is a five-year project funded 75 percent by the federal government and 25 percent by the fish stamp program.

Extension of the Fish Stamp Program

Under current law, the fish stamp program will sunset as of January 1, 2009. However, Chapter 637, Statutes of 2008, was enacted to extend the program until January 1, 2010. Chapter 637 maintains the statute's current provisions but will extend Fish and Game's reporting requirements to the Legislature. The new law will also require that Fish and Game submit its annual report to the committee and the Legislature by January 10, 2009.

Figure 3
Proposal Process for Projects Funded by Sales of the Bay-Delta Sport Fishing Enhancement Stamp



Source: Fish and Game assertions.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) approved an audit of the fish stamp program. The audit committee's request focused on spending authority for the fish stamp revenues, the appropriateness of expenditures incurred in the program, and the required reporting to the committee.

To determine the annual spending authority granted to Fish and Game, we reviewed the governor's proposed budgets and final budget acts for fiscal years 2003–04 through 2007–08. We also reviewed BCPs that Fish and Game prepared for the fish stamp program and correspondence from Finance related to approved fish stamp BCPs.

To assess whether reporting to the committee complied with the requirements of the law, we examined applicable laws and regulations and interviewed appropriate personnel from Fish and Game. Additionally, to ascertain what information the committee received, we reviewed reports provided to the committee during its meetings as well as the meeting minutes.

To determine the appropriateness of project expenditures, we analyzed the fish stamp law for criteria related to the use of fish stamp funds. We also interviewed responsible staff regarding their accounting practices for fish stamp expenditures and their procedures for processing invoices for payment. Additionally, we reviewed a sample of fish stamp expenditures.

The U.S. Government Accountability Office, whose standards we follow, requires us to assess the reliability of computer-processed data. Therefore, after obtaining data from Fish and Game's License Agent System so that we could calculate revenues from fish stamp sales, we assessed the data's reliability. In addition, we assessed the reliability of the California State Accounting and Reporting System (CalSTARS) data for Fish and Game, which we used to calculate expenditures from the fish stamp account. We assessed the reliability of the data from these systems by performing electronic testing of key data elements and by testing the accuracy and completeness of the data. To test the accuracy of the data, we confirmed the information in randomly selected samples of records. We tested the completeness of the expenditure data by verifying that the total dollar amount of expenditures in the data agreed with CalSTARS summary reports. To test the completeness of the revenue data, we ensured that the sequential numbers assigned to the fish stamps had no unexplained gaps. Through this testing, we determined the data to be sufficiently reliable for the purposes of this audit. We assessed the accuracy of the financial information presented through February 29, 2008. We did not test the data presented for the period of March 1, 2008, through June 30, 2008. Therefore, we cannot conclude on the reliability of this data.

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Audit Results

The Department of Fish and Game Has Not Fully Used Revenues From the Bay-Delta Sport Fishing Enhancement Stamp

The Department of Fish and Game (Fish and Game) for the State has not identified or pursued a course of action to ensure the full use of the revenues that Fish and Game generates through sales of the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp). Since the inception of the fish stamp program, Fish and Game has sold nearly 1.5 million annual fish stamps, generating \$8.6 million in revenue and interest; however, as of June 2008, it had approved only 17 projects representing \$2.6 million in commitments to funding. In addition, during the first two fiscal years in which it collected the fish stamp fee, Fish and Game did not request any spending authority to use the revenue to fund fish stamp projects. Further, during this same period Fish and Game did not reallocate unused funding from other accounts within the Fish and Game Preservation Fund (preservation fund), which holds money collected under state laws governing the protection and preservation of birds, mammals, fish, reptiles, and amphibians. Therefore, it did not have the authority to spend any of the revenues generated to pay either for projects or for related administrative expenses. Even though it did request spending authority in fiscal years 2005–06 through 2007–08, Fish and Game still did not actively identify and fund projects up to the level of spending authority obtained. As a result, the balance in the fish stamp account continues to increase, and individuals who pay for fish stamps are not receiving the full benefit from their purchases.

Fish stamp sales have generated \$8.6 million in revenue and interest; however, as of June 2008 Fish and Game had only committed \$2.6 million to fund 17 projects.

Fish and Game Did Not Pursue Authorization to Spend Fish Stamp Revenues

During fiscal years 2003–04 and 2004–05, the first two fiscal years following the inception of the fish stamp program, Fish and Game generated \$2.9 million from the sales of fish stamps; however, it did not present any budget change proposals (BCPs) to the Department of Finance (Finance) seeking authority to use the revenues generated from sales of fish stamps. Although the Fish and Game environmental scientist assigned to oversee the fish stamp program stated that she submitted separately a request for spending authority to Fish and Game's budget branch for each of the two fiscal years, we did not find any evidence that Fish and Game submitted a BCP to Finance for those two fiscal years. The current budget chief confirmed that Fish and Game did not present any BCPs to Finance for the fish stamp program in fiscal years 2003–04 and 2004–05.

The Department of Fish and Game's Budget Process

- A program unit within the Department of Fish and Game (Fish and Game) prepares and submits a budget concept to Fish and Game's budget branch.
- Fish and Game's budget branch staff then submit a budget concept to the deputy director.
- The deputy director or director approves or denies the budget concept. If the budget concept is approved, the program unit drafts a budget change proposal (BCP); otherwise, the program unit is notified of the denial.
- The deputy director or director reviews the BCP and then submits it to the Resources Agency.
- The Resources Agency reviews the BCP and approves or denies it.
- The Resources Agency submits approved BCPs to the Department of Finance.

Source: Fish and Game budget branch.

Finance's records confirmed that it did not receive a BCP requesting spending authority for the fish stamp program for fiscal year 2004–05. However, it could not confirm whether Fish and Game submitted a BCP in fiscal year 2003–04 because Finance's retention policy for these documents is three years. The text box outlines the process that Fish and Game uses to request spending authority from Finance.

Fish and Game first requested spending authority for the fish stamp program for fiscal year 2005–06. It submitted two BCPs to Finance through the Resources Agency; one requested spending authority for a specific fish stamp project, the Central Valley Angler Survey (CVAS), and the other requested baseline funding for the fish stamp program. However, Finance approved only the request for the CVAS. This approval gave Fish and Game the authorization to spend \$286,000 annually on the CVAS project over a five-year period. According to the meeting minutes of the fish stamp advisory committee (committee), which recommends potential fish stamp projects, Finance

denied the additional request for baseline spending authority due to concerns about the solvency of the preservation fund.

Although it lacked spending authority during fiscal years 2003–04 and 2004–05 and had only limited spending authority in fiscal year 2005–06, Fish and Game had the ability during this period to reallocate to the fish stamp account any unused funding from other accounts within the preservation fund. For example, in fiscal year 2003–04, Fish and Game had authority to spend a total of \$90.9 million in preservation funds; however, according to Fish and Game's records, expenditures totaled only \$88.7 million. Therefore, Fish and Game had \$2.2 million in unused funding during the fiscal year and it could have reallocated a portion of this amount to the fish stamp program. It exercised this option to a limited extent in fiscal year 2005–06 by reallocating \$100,000 in unused funding to the fish stamp account. In fact, during the first three fiscal years of the fish stamp program, Fish and Game generated more than \$4.3 million from fish stamp sales, and it could have reallocated additional unused funding from other preservation fund accounts to the fish stamp account. During this same period, however, Fish and Game actually spent just \$160,000 on project, administrative, and indirect costs. Because it did not obtain spending authority for the first two years, received only limited spending authority in the third year, and failed to take full advantage of its ability to reallocate to the fish stamp account the

unused funding in the preservation fund, Fish and Game did little to fulfill the purpose of the fish stamp. Fish and Game did not make a significant effort to promote sportfishing opportunities or to provide long-term, sustainable benefits either to the primary sportfishing population or to the anglers who purchased the fish stamp and who fish in the areas defined as *bay-delta regulated waters*.

Attempts by Fish and Game and the Committee to Identify Viable Fish Stamp Projects Have Been Inadequate

Fish and Game and the committee have not done enough to identify viable fish stamp projects so that anglers can realize the full benefit of the money generated by fish stamp sales. In fiscal years 2006–07 and 2007–08, Fish and Game identified and approved only a limited number of projects and therefore used little of the available money in the fish stamp account. For example, the Legislature appropriated \$1.5 million for fiscal year 2006–07 for fish stamp program project and administrative activities in addition to the annual spending authority of \$286,000 originally granted in fiscal year 2005–06 for the CVAS project.¹ However, Fish and Game approved only eight additional fish stamp projects with a combined cost of approximately \$445,000 in fiscal year 2006–07. As of June 2008 three of the eight projects approved in fiscal year 2006–07 have not incurred costs. Two of these projects are cost-sharing proposals with outside agencies, and work cannot begin until the other entity finalizes the contract to initiate the work. Another project approved during fiscal year 2006–07 has not incurred costs because the original project scope has been amended. In addition, Fish and Game has not identified any other uses for the remaining \$1.1 million in spending authority.

Similarly, in fiscal year 2007–08, Fish and Game again received spending authority of \$1.5 million, exclusive of the CVAS authorization, yet approved only an additional six fish stamp projects totaling approximately \$876,000, bringing the two-year total value of approved projects to \$1.3 million. In the last two fiscal years, Fish and Game has thus failed to allocate \$1.7 million of its \$3 million in total appropriations, excluding its CVAS spending authority, for projects or administrative activities intended to benefit anglers in the *bay-delta regulated waters*. Moreover, of the \$8.6 million in revenues and interest generated from fish

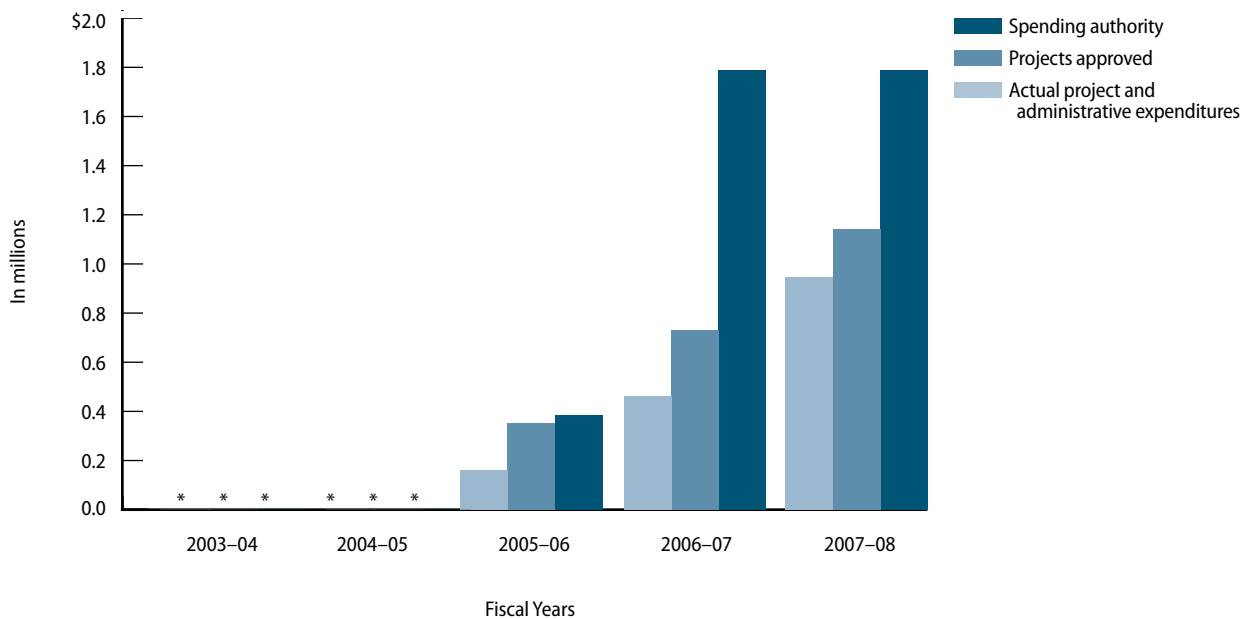
In fiscal years 2006–07 and 2007–08, Fish and Game failed to allocate \$1.7 million of its total appropriations of \$3 million for projects or administrative activities intended to benefit anglers in the bay-delta regulated waters.

¹ The BCP approved by Finance authorized Fish and Game to spend \$286,000 per year for five years from the fish stamp account. However, the actual project documents indicate that Fish and Game will spend \$1.25 million on the project over five years.

stamp sales through 2007–08, Fish and Game has allocated only \$2.6 million, or 30 percent of available revenues. Appendix B offers a complete listing of all approved projects.

By using only a small portion of its annual spending authority for the fish stamp program, Fish and Game has failed to use fully the money generated to fund projects that promote sportfishing opportunities or provide long-term, sustainable benefits to either the primary sportfishing population or anglers in the areas defined as *bay-delta regulated waters*. Figure 4 shows the amount of Fish and Game's spending authority for the fish stamp program, the approved funding for fish stamp projects, and the actual expenditures for fish stamp projects and administration by fiscal year.

Figure 4
Bay-Delta Sport Fishing Enhancement Stamp Annual Spending Authority, Projects Approved for Funding, and Actual Expenditures



Sources: California State Accounting and Reporting System, the State's annual budget, and the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) report.

Note: Included in projects approved is the Central Valley Angler Survey project. This project, approved in fiscal year 2005–06, authorizes using \$1.25 million in fish stamp revenues over a five-year period. Expenditures do not include encumbrances, which are funds set aside for future expenditures.

* Indicates \$0.

As of June 2008 Fish and Game and the committee had reviewed a total of 46 project proposals representing about \$8.1 million in funding. However, the committee had recommended only that Fish and Game use fish stamp money to fund 12 of these projects. The committee meeting minutes do not always provide a clear picture

of why the committee chose not to advocate funding individual projects. In fact, the minutes indicate that most of the meeting discussions focused on overall Fish and Game issues and challenges rather than on the merits of individual projects. Fish and Game approved funding all 12 of the projects recommended by the committee. Notwithstanding the committee's recommendations, Fish and Game also approved funding for five additional projects. The total funding committed to these 17 projects amounts to \$2.6 million. We asked the deputy director of the Resource Management and Policy Division (deputy director) why more projects had not been approved, and he stated that it has been difficult to find projects that would add sufficient value for the money spent. He also indicated that the committee feels that many of the project proposals it has received do not serve a suitable purpose.

We also spoke with the committee chair of the fish stamp program for his perspective on why the committee has not approved more projects. The committee chair responded that there are three basic reasons. First, many of the project proposals presented to the committee were not appropriate. Specifically, he stated that the committee feels that a number of issues face the delta, most importantly the decline in fish populations, and the committee does not believe that projects like boat ramps address these underlying issues. Secondly, the committee rejected some project proposals because the committee needed additional information on these projects, or the committee felt that the projects were either too big or too small. Lastly, the fish stamp program has lacked sufficient funding authority. However, the committee chair indicated that he felt Fish and Game staff and the committee are moving in the right direction, and he expressed confidence that the committee would shortly identify appropriate projects to recommend.

Although the committee recommended the majority of funded projects, state law does not require Fish and Game to obtain approval from the committee before spending fish stamp revenues. As long as it has sufficient spending authority, Fish and Game can spend revenues on any project that meets the law's criteria regardless of the committee's recommendations. Therefore, Fish and Game could fund additional projects up to its current level of spending authority as long as it reports to the committee this use of fish stamp money. However, because neither the committee nor Fish and Game has identified projects to more fully take advantage of the fees paid by anglers, the anglers are not receiving the maximum benefit from the revenues generated by fish stamp sales.

The deputy director and the resources assessment fisheries program manager both acknowledged that Fish and Game never developed a formal spending plan. Although not required by law, a spending plan that focuses on identifying projects and monitoring revenues

Because neither the committee nor Fish and Game has identified projects to more fully take advantage of the fees paid by anglers, the anglers are not receiving the maximum benefit from the revenues generated by fish stamp sales.

would assist Fish and Game in identifying worthy projects and using the fish stamp revenues to accomplish project purposes and reduce the growing account balance.

The Balance in the Fish Stamp Account Continues to Increase

Although Fish and Game continues to collect revenue from the sale of fish stamps, its unsuccessful efforts to spend the money have caused the account balance to increase. Since the inception of the fish stamp program in fiscal year 2003–04, Fish and Game has collected revenues and interest amounting to \$8.6 million, but it has only spent \$1.6 million. As of June 30, 2008, the balance in the fish stamp account had risen to \$7 million. Additionally, according to revenue and expenditure projections provided by Fish and Game, the account balance will be nearly \$7.4 million² by January 1, 2009. Figure 5 shows annual revenues, expenditures, and cumulative account balance from January 1, 2004, through June 30, 2008, and the projected amounts at January 1, 2009.

Weak Controls Limit Fish and Game's Ability to Monitor and Report Project Activity

Fish and Game does not have a sufficient system of internal or administrative controls to monitor fish stamp project activity. For example, the department's accounting system does not adequately track project expenditures. As a result, project expenditures are difficult to reconcile, and have been incorrectly charged to other funding sources. Additionally, information provided by Fish and Game to the committee both in periodic reports and in committee meetings is not always accurate or complete. Therefore, the committee is less able to make informed decisions on funding fish stamp projects.

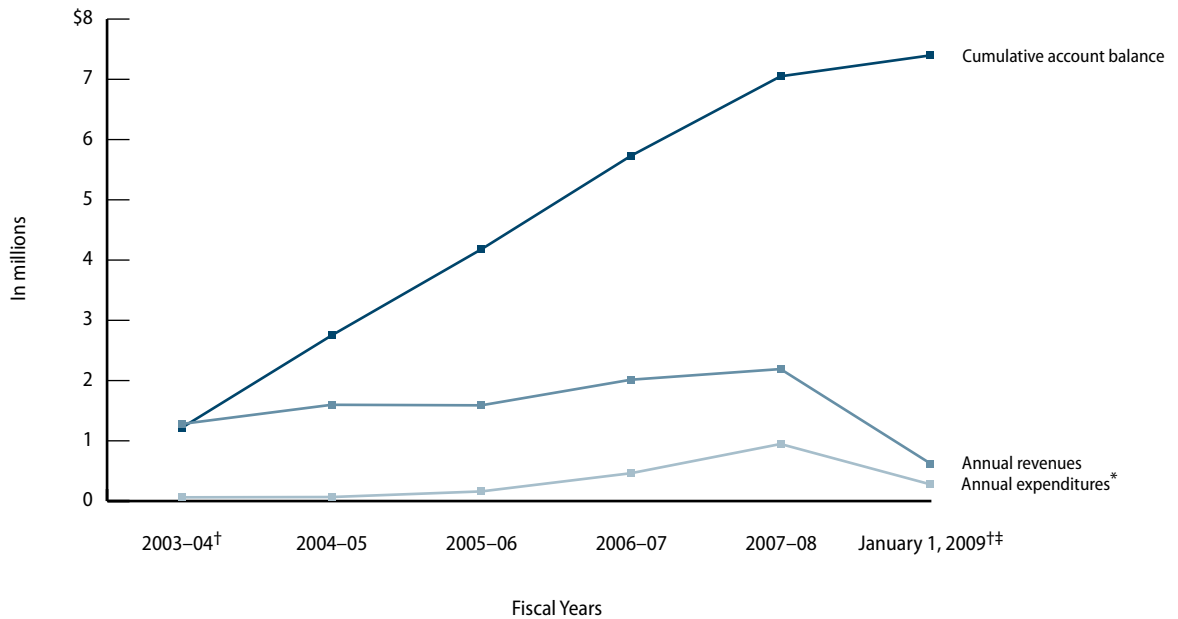
Fish and Game Is Not Accounting Adequately for Fish Stamp Project Costs

Generally, Fish and Game's accounting records do not identify separately the expenditures for individual fish stamp projects. While project managers track related expenditures, they do not have a way to ensure that they are aware of all relevant project expenditures. As a result, expenditures may not be charged to the appropriate projects or may exceed authorized amounts. Additionally, expenditures tracked by project managers may not reconcile to Fish and Game's accounting records. However, because it does not currently attempt to reconcile these records, Fish and Game cannot assess whether differences exist or determine the amount and cause of any differences.

Generally, Fish and Game's accounting records do not identify separately the expenditures for individual fish stamp projects.

² This amount does not include encumbrances, which are funds set aside for future expenditures.

Figure 5
Annual Revenues, Expenditures, and Cumulative Balances for the Bay-Delta Sport Fishing Enhancement Stamp Account



Source: California State Accounting and Reporting System and the Department of Fish and Game's (Fish and Game) budget branch chief.

Note: Expenditures do not include encumbrances, which are funds set aside for future expenditures, and revenue does not include lifetime stamps because they represent less than 1 percent of total sales.

* Fish and Game did not record any expenditures in fiscal years 2003-04 and 2004-05.

† Represents six months of activity.

‡ These amounts are estimates by Fish and Game's budget branch chief.

Like many other state agencies, Fish and Game uses the California State Accounting and Reporting System (CalSTARS) as its main accounting system to record departmental transactions for its various activities, including the documenting of expenditures charged to the fish stamp account. CalSTARS uses a series of program cost account (PCA) codes that allow departments to identify the programs to which the departments will ultimately charge particular costs. According to the CalSTARS manual published by Finance, departments are to assign PCA codes at the lowest level of programmatic detail and identify the program activity for which costs will be charged, such as the individual projects paid from the fish stamp account.

However, based on our review of its CalSTARS accounting records, Fish and Game has not established a unique PCA code for any individual fish stamp project other than the CVAS project. Consequently, determining the actual expenditures for each project requires contacting each of the individual managers for the 17 approved projects. Because project managers are not always

Fish and Game approved using \$50,000 in fish stamp funds to enhance its effort to enforce the laws against sturgeon poaching; however, it actually charged the \$50,000 to another Fish and Game funding source.

aware of expenditures, such as phone and Internet service bills that are directly attributable to a specific project, their records may not be complete. The environmental scientist who oversees the fish stamp program does not currently reconcile to CalSTARS the expenditures recorded in the project managers' records, but attempting to do so would likely require extensive time and resources because Fish and Game does not assign separate PCA codes for each project in CalSTARS.

Insufficient accounting controls over project expenditures can result in a department's overcharging or undercharging expenditures for a particular project and can also cause the agency to exceed the amount of funding authorized for a particular project. For example, in fiscal year 2005–06, Fish and Game approved using \$50,000 in fish stamp funds to enhance its effort to enforce the laws against sturgeon poaching. However, Fish and Game actually charged the \$50,000 to another of its funding sources even though Fish and Game officials were not able to tell us which funding source. In another instance, the agreement for the CVAS project required Fish and Game to pay from the fish stamp account 25 percent of the \$92,500 in annual rent for the facility used to house the project. However, according to a department official, Fish and Game paid this expenditure out of its general fund appropriation in fiscal years 2005–06 and 2006–07 rather than from the fish stamp account.

Although we found no evidence of fraud or abuse for the transactions we reviewed, the lack of adequate accounting controls affects Fish and Game's ability to mitigate the possibility of such an occurrence. In addition, poor tracking of expenditures by project has resulted in Fish and Game's incorrectly charging fish stamp costs to other funding sources. Moreover, this control weakness hinders Fish and Game staff's ability to reconcile project records with CalSTARS accounting records.

Communication Between Fish and Game and the Committee Needs to Improve

Information provided by Fish and Game to the committee has not always been accurate or complete. State law requires that Fish and Game report to the committee, at least annually, an accounting of funds derived from the fish stamp, including the number of stamps sold, funds generated and spent, and the status of projects funded. While Fish and Game is reporting appropriately the number of stamps sold and the revenues derived from fish stamp sales, its current practice is to report to the committee only the amount of funding approved for each project rather than the amount actually spent for individual projects, specific details of the projects' status, and total administrative expenditures covered by fish stamp revenues.

Additionally, according to our review of meeting minutes, Fish and Game officials have made several inaccurate statements to the committee. For example, the minutes from the June 7, 2005, meeting show that the former branch chief for the fisheries branch reported that Finance denied Fish and Game's request for spending authority for the fish stamp account for fiscal years 2003–04 and 2004–05. When queried, the former branch chief stated that his recollection was that Finance denied the spending authority. However, he was unsure whether the denial was a formal denial or whether Fish and Game staff concluded that Finance would deny the request for spending authority based on discussions they had with Finance. As previously discussed, we did not find any evidence that Fish and Game requested spending authority for these two fiscal years.

In another instance, according to meeting minutes from July 27, 2006, Fish and Game's deputy director told the committee that Finance requires a 5 percent reserve in the fish stamp account and that annual spending from the preservation fund could not exceed annual revenue, regardless of how much is in the account. However, an official we spoke with at Finance stated that a 5 percent reserve is suggested but not required and that Finance has authorized annual spending authority for accounts within the preservation fund that has been greater than annual revenue if an account has a substantial reserve. In fact, at the time of the July 2006 committee meeting, the fish stamp account had a reserve of \$4.3 million. When queried, the deputy director stated he felt that the statements in the minutes were taken out of context and do not reflect the intent of what he was trying to convey to the committee. Nevertheless, Fish and Game's failing to provide complete, accurate information to the committee results in its being less able to make informed decisions and could cause the committee to make inappropriate decisions on recommending projects to fund.

Expenditures Charged to the Fish Stamp Account Were Inaccurate

During fiscal years 2005–06 through 2007–08, Fish and Game charged expenditures totaling an estimated \$201,000 to the fish stamp account that were unrelated to fish stamp activities. Although state law cites a broad definition of expenditures allowed under the fish stamp program, the expenditures we identified as inappropriate were payroll and invoice costs that were not related to any approved fish stamp project or administrative activity.

In addition, Fish and Game did not charge the account for certain administrative expenditures it incurred during the fish stamp program's first two fiscal years. Appropriate administrative expenditures would include costs for staff assigned to facilitate

Fish and Game did not charge the fish stamp account for certain administrative expenditures it incurred during the program's first two fiscal years.

operating the program. These administrative expenditures also include indirect charges, which are agencywide costs proportionally distributed among all the agency's funds or accounts. The manager of the program management branch stated that the administrative expenditures for these two years were charged to the nondedicated account within the preservation fund. However, Fish and Game was unable to produce documentation to establish clearly the amount or the account charged. Therefore, we initially attempted to estimate the administrative costs that the fish stamp program incurred during these two years based on the level of such costs that the program charged in fiscal year 2005-06. However, as described more fully below, we identified instances in which Fish and Game inappropriately charged expenditures to the fish stamp account in that year. Consequently, we do not believe that using expenditures from subsequent years would provide an accurate estimate of the costs. We do know that during fiscal years 2003-04 and 2004-05, Fish and Game incurred at least \$18,000 in administrative expenditures for printing the fish stamps sold in 2004 and 2005. We also know that Fish and Game should have charged these costs to the fish stamp account but that it did not do so.

Fish and Game Inappropriately Charged Certain Expenditures to the Fish Stamp Account

Fish and Game inappropriately charged an estimated \$201,000 in costs to the fish stamp account during fiscal years 2005-06 through 2007-08.

Fish and Game inappropriately charged an estimated \$201,000 in costs to the fish stamp account during fiscal years 2005-06 through 2007-08. These costs, which consisted of payroll and purchases of goods and services, were unrelated to any fish stamp activity; therefore, Fish and Game should have charged the costs to another account or fund. Because Fish and Game used fish stamp money for other purposes, there is less money available to accomplish the purpose of the program.

We selected an initial sample of 41 expenditures to test, and this sample consisted of 12 claim schedules and 29 payroll charges. The 12 claim schedules included invoices for items such as auto and boat maintenance, cell phones, construction work, and contract payments. The payroll charges consisted of 22 payroll entries and seven adjusting entries. To evaluate whether our sample expenditures for goods and services related to an approved fish stamp project, we reviewed invoices. We also examined the duty statements for employees included in the sampled payroll charges and reviewed these employees' time sheets. In addition, we interviewed some of the employees and their supervisors to gain a better understanding of the duties they performed. During our review, we identified 16 transactions totaling more than \$50,000 that Fish and Game charged to the fish stamp account during fiscal years 2005-06 through 2007-08 that did not relate to any

fish stamp project or administrative activity of the program. As we discuss later in this section, because of the large number of exceptions identified in our sample—39 percent of the transactions tested—we performed additional analytical procedures to estimate the extent of the inappropriate charges.

Of the 16 inappropriate charges identified, 13 were for payroll costs of Fish and Game employees whose duties did not include fish stamp activities. Fish and Game acknowledged the inappropriateness of charging a portion of these employees' time to the fish stamp account. The manager of the program management branch explained that in four of the instances the employees did not submit time sheets for the period we reviewed. Consequently, Fish and Game used a default accounting code related to the fish stamp account in completing the employees' time sheets. Fish and Game told us that if an employee subsequently turned in a revised time sheet, it would reverse the original entry and charge the correct accounting code. However, if the employee did not submit a revised time sheet, Fish and Game would make no further changes. Fish and Game was unable to explain why the fish stamp account paid for the other nine payroll charges. The three remaining inappropriate charges we identified in our sample were payments for goods and services not related to the fish stamp, such as the cost of a monthly cell phone bill and a purchase of kayaks, neither of which related to an approved fish stamp project.

Based on the number of inappropriate charges made to the fish stamp account that we found in our sample, we expanded our testing of expenditures. We ultimately performed analytical procedures on all expenditure entries for fiscal year 2005–06 to estimate the extent of the inappropriate charges. We were able to complete these procedures for the 2005–06 fiscal year because only one approved project existed, and we could clearly identify the related payroll charges in the accounting records. Further, the environmental scientists who oversee the fish stamp program did not begin charging their payroll costs to the program until the following fiscal year. We estimate that in fiscal year 2005–06, Fish and Game should not have charged to the fish stamp account up to \$74,000, or about 46 percent of the account's total expenditures. We did not base our analysis on a detailed review of each individual expenditure, and therefore we acknowledge the possibility that Fish and Game may be able to justify some portion of the expenditures.

Because Fish and Game does not distinguish in its accounting records between administrative payroll charges and project payroll charges, we cannot make a reasonable estimate of the total expenditures inappropriately charged to the fish stamp account for fiscal years 2006–07 or 2007–08. However, we were able to isolate the individuals in our sample who inappropriately charged payroll

Of the 16 inappropriate charges we identified, 13 were for payroll costs of Fish and Game employees whose duties did not include fish stamp activities.

An official at Fish and Game acknowledged that in a total of 33 months, six employees inappropriately charged time to the fish stamp account during fiscal years 2006–07 and 2007–08.

costs to the fish stamp account, and we could identify additional pay periods in which these same employees charged their personal services to the account during fiscal years 2006–07 and 2007–08. In doing so, we noted an additional \$127,000 that the employees might have charged inappropriately to the fish stamp account. An official at Fish and Game acknowledged that in a total of 33 months, six employees inappropriately charged time to the fish stamp account during fiscal years 2006–07 and 2007–08. According to our analysis, we estimate that Fish and Game charged to the fish stamp account as much as \$201,000 that it should have charged to other accounts. This amount includes the \$50,000 identified in our original sample of 41 transactions as well as an additional \$151,000 identified through other analytical procedures.

Fish and Game Did Not Charge All Fish Stamp Expenditures to the Fish Stamp Account

Fish and Game did not charge administrative expenditures for the program to the fish stamp account during fiscal years 2003–04 and 2004–05, the first two years that the program was operating. When we initially asked for the expenditure reports for each fiscal year since the inception of the fish stamp program in January 2004, Fish and Game informed us that the first two fiscal years were not available because expenditures were not charged during those years. We asked Fish and Game management to explain why employees did not charge the fish stamp account with administrative expenses during the first two fiscal years, to provide the dollar amount of administrative costs incurred during this time, and to identify the account or accounts charged for these costs. Management acknowledged that although the program incurred expenses, Fish and Game did not separately track these costs. Although no approved projects were funded during this time, we know that Fish and Game did incur some administrative costs for the fish stamp program, as evidenced by the fact that it paid \$18,000 in printing costs for fish stamps in these years. In addition to the printing costs, it is likely that Fish and Game should have charged other administrative costs to the fish stamp account as well.

Recommendations

To ensure that the fish stamp program fulfills its intended benefit, Fish and Game should work with the committee to develop a spending plan that focuses on identifying and funding viable projects and on monitoring revenues to assist Fish and Game in effectively using the fish stamp revenues.

To track and report project costs adequately, Fish and Game should do the following:

- Improve the tracking of individual project expenditures by assigning each fish stamp project its own project cost account within the accounting system.
- Require that project managers approve all expenditures directly related to their projects. Project managers should periodically reconcile to accounting records the records for their respective projects and should report expenditures to the staff responsible for preparing the advisory committee reports.

To make certain that it provides complete and accurate information to the committee, Fish and Game should do the following:

- At least annually, provide the committee with written reports of actual project expenditures and detailed information on project status as well as total administrative expenditures.
- Ensure that the information it communicates to the committee is accurate.

Fish and Game should reimburse its general fund appropriation for the lease payments that should have been paid from the fish stamp account.

To ensure that employees appropriately charge their time to fish stamp projects, Fish and Game should take these steps:

- Provide guidelines to Fish and Game employees concerning when to charge activities to the fish stamp account.
- Discontinue the current practice of charging payroll costs to the fish stamp account for employee activities we identified as not pertaining to the program. In addition, Fish and Game should determine whether it inappropriately charged any other expenditures to the fish stamp account and make the necessary accounting adjustments.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of the report.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: October 16, 2008

Staff: Steven A. Cummins, CPA, Audit Principal
Bruce Smith, CPA
Nicholas D. Cline
Tina Kobler

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

Appendix A

MAP OF BAY-DELTA SPORT FISHING ENHANCEMENT STAMP REGULATED WATERS

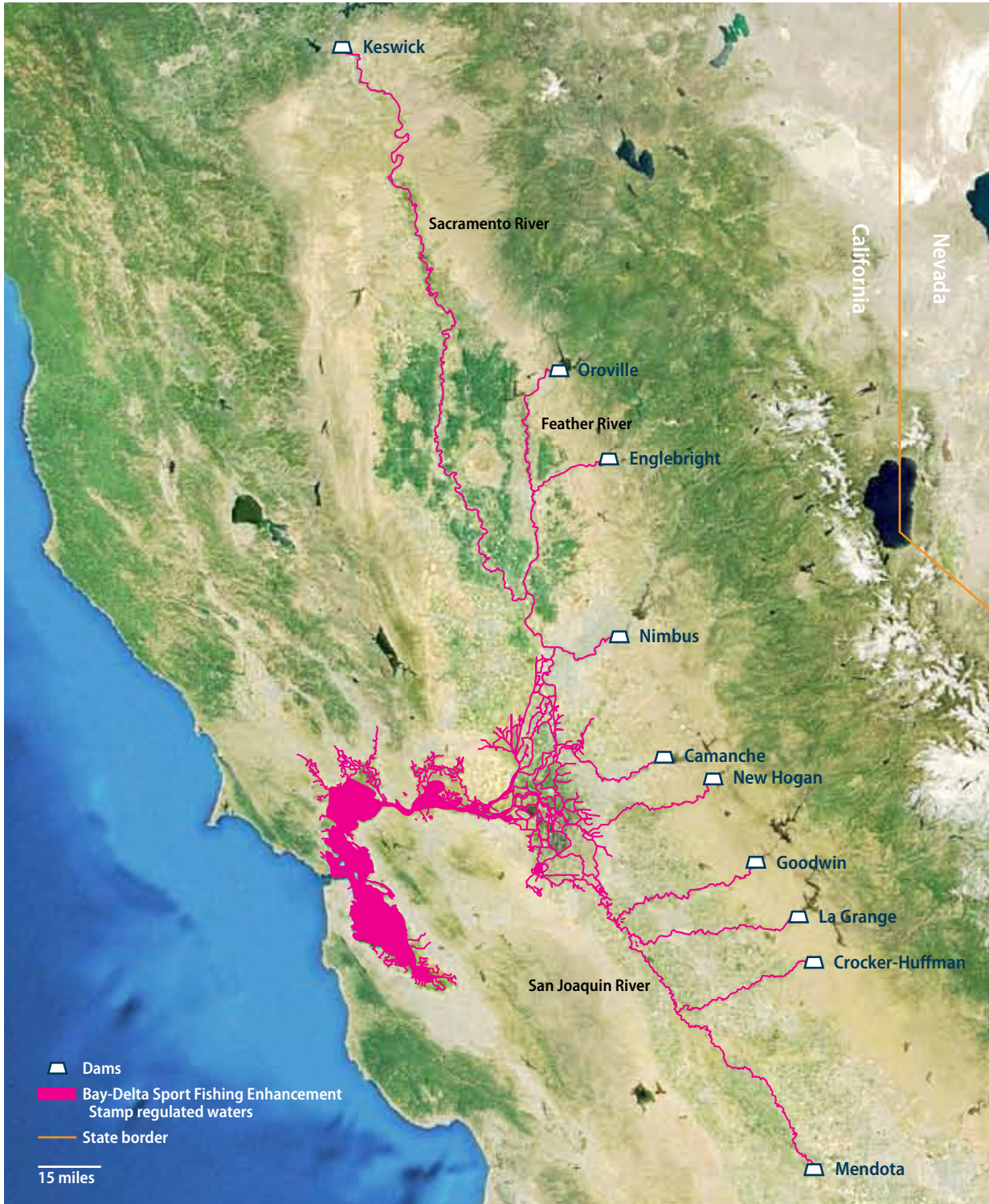
The State requires that anglers purchase a Bay-Delta Sport Fishing Enhancement Stamp when they fish in the following waters:

- Tidal waters of the San Francisco Bay and Delta: This area includes San Francisco and San Pablo bays east of the Golden Gate Bridge and west of the Carquinez Bridge and the Carquinez Strait.
- Sacramento-San Joaquin Delta: This area includes all rivers, sloughs, canals, cuts, forebays, and flooded islands within the area south of Interstate 80; west of Highway 99; north of Interstate 580, Interstate 205, and Interstate 120; and east of Interstate 680.

Figure A on the following page depicts the areas listed below:

- Sacramento River: Below Keswick Dam
- Feather River: Below Oroville Dam
- Yuba River: Below Englebright Dam
- American River: Below Nimbus Dam
- Consumnes River: West of Highway 99
- Mokelumne River: Below Camanche Dam
- Calaveras River: Below New Hogan Dam
- San Joaquin River: Below Mendota Dam
- Stanislaus River: Below Goodwin Dam
- Tuolumne River: Below LaGrange Dam
- Merced River: Below Crocker-Huffman Dam

Figure A
Map of Bay-Delta Sport Fishing Enhancement Stamp Regulated Waters



Sources: Department of Fish and Game. Photograph: <http://maps.yahoo.com>.

Appendix B

LIST OF APPROVED PROJECTS FUNDED BY THE BAY-DELTA SPORT FISHING ENHANCEMENT STAMP PROGRAM

The types of projects funded by the Bay-Delta Sport Fishing Enhancement Stamp include angler access, scientific research and monitoring, enforcement, fisheries conservation, and education. Table B lists the 17 fish stamp projects approved as of June 2008. The table reflects the names of the fish stamp projects, the types of projects, the fiscal year in which the projects received approval, dollar amount approved, and project status. The table also indicates whether or not outside funding sources will also be used to pay for the project.

Table B
 List of Projects Approved for Bay-Delta Sport Fishing Enhancement Stamp Funds as of June 2008

PROJECT NUMBER	PROJECT FUNDED	TYPE OF PROJECT	APPROVED IN FISCAL YEAR	AMOUNT APPROVED	COST SHARED WITH OUTSIDE SOURCE	PROJECT STATUS
1	Central Valley Angler Survey	Scientific research and monitoring	2004-05	\$1,251,000	Yes	Work in progress
2	Striped bass maps	Education	2005-06	9,900	Yes	Project complete
3	Warden overtime	Enforcement	2005-06	50,000	Yes	No funds paid by Bay-Delta Sport Fishing Enhancement Stamp (fish stamp)
4	Clarksburg river access	Angler access	2006-07	41,750	Yes	Pending contract
5	Knights Landing river access	Angler access	2006-07	33,500	Yes	Pending contract
6	Turtle Bay access	Angler access	2006-07	50,000	Yes	Project complete
7	Central Valley salmon, 2007	Fisheries conservation	2006-07	50,000	No	Project complete
8	Aquariums in the classroom	Education	2006-07	10,000	No	Work in progress
9	Sturgeon punch card, 2006	Enforcement	2006-07	35,000	No	Project complete
10	Black bass release boat	Scientific research and monitoring	2006-07	50,000	No	Original project amended, pending contract
11	Sturgeon forensics	Scientific research and monitoring	2006-07	175,000	No	Work in progress
12	Sturgeon punch card, 2007	Enforcement	2007-08	31,536	No	Project complete
13	Central Valley salmon, 2008-2010	Fisheries conservation	2007-08	294,000	Yes	Work in progress
14	South Bonnyview boating	Angler access	2007-08	203,000	Yes	Pending contract
15	Upper Sunrise launch facility improvements	Angler access	2007-08	100,000	Yes	Pending contract
16	Economic analysis	Scientific research and monitoring	2007-08	226,969	Yes	Pending contract
17	Salmon rearing pens—replace and repair	Fisheries conservation	2007-08	20,000	No	Pending contract
Total				\$2,631,655		

Source: The Department of Fish and Game's fish stamp project tracking sheet.

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(Agency response provided as text only.)

Department of Fish and Game

Date: September 30, 2008

To: Elaine M. Howle, State Auditor*
California State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

From: Donald Koch, Director
Department of Fish and Game

Subject: Bureau of State Audits Report #2008-115

Thank you for the opportunity to respond to the audit on the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp). The Department of Fish and Game (Fish and Game) appreciates the efforts of your audit team to improve the processes and procedures for the fish stamp. Fish and Game has already begun to implement many of the improvements the audit recommends. Fish and Game agrees with and will incorporate the Bureau of State Audits (BSA) recommendations as it administers the fish stamp. Below are the recommendations and Fish and Game's responses.

Recommendation: To ensure that the intended benefit of the stamp is met, Fish and Game should work with the committee to develop a spending plan that focuses on identifying and funding viable projects and monitoring revenues to assist it in effectively using the fish stamp revenues.

Response: Agree. *Fish and Game is in the process of developing a formal spending plan. The spending plan will include seeking additional spending authority, pursuing avenues to increase fish stamp fund expenditures and improving monitoring of revenue and expenditures. In addition, Fish and Game will work with the committee to identify opportunities to add additional projects.*

Fish and Game has been committed to spending fish stamp funds on technically, biologically, scientifically sound and cost-effective projects. Proposals undergo a rigorous review process by a technical review team, the committee, branch chief and the director. All approved projects are appropriate to the legislation, meet fish stamp objectives, are consistent with Fish and Game mandates and meet the intent of the law.

Recommendation: To ensure it adequately tracks and reports project costs, Fish and Game should do the following:

- Improve the tracking of individual project expenditures by assigning each fish stamp project its own Project Cost Account (PCA) within the accounting system.

Response: Agree. *Fish and Game's fish stamp staff is currently working with the Budget Branch and Accounting Services Branch (ASB) staff to assign unique PCAs to each project for better tracking.*

* California State Auditor's comment appears on page 35.

- Require that project managers approve all expenditures directly related to their projects. Project managers should periodically reconcile records for their respective projects to accounting records and report expenditures to the staff responsible for preparing advisory committee reports.

Response: Agree. Currently, Fish and Game tracks grant projects by monitoring invoices and performing site visits. Fish stamp staff will work closely with ASB staff to ensure proper training on reading CALSTARS reports.

Recommendation: To ensure that it provides complete and accurate information to the committee, Fish and Game should do the following:

- Provide the committee with actual projects expenditures and status as well as total administrative expenditures.

①

Response: Agree. Fish and Game currently provides total income including stamp sales, interest and total revenue by fiscal year. Project status is discussed at each meeting during the review of the action log, including a listing of projects and budgeted costs. In the future, actual expenditures, as recommended by BSA, will also be included in the financial overview provided to the committee annually as required by the legislation.

- Ensure the information it communicates to the committee is accurate.

Response: Agree. Fish and Game has always worked to provide the committee with accurate and pertinent information. In keeping with the BSA recommendation, Fish and Game will continue to do so with great diligence to ensure accuracy. Fish stamp staff will also continue to collaborate with the committee on the management of projects and assignments.

Recommendation: Fish and Game should reimburse the General Fund appropriation for the lease payments that should have been paid from the fish stamp account.

Response: Agree. The rent expenditures were budgeted in the grant agreements with fish stamp account funds. Fish and Game will be making the appropriate adjustments to reflect the proper coding and funding.

Recommendation: To ensure that employees appropriately charge their time to fish stamp projects, Fish and Game should do the following:

- Provide guidelines to Fish and Game employees concerning when to charge activities to the fish stamp account.

Response: Agree. Fish and Game will ensure employees are familiar and trained on time sheet guidelines in the Time Reporting Handbook and will emphasize managers' need to ensure staff is charging appropriately.

- Discontinue the current practice of charging payroll costs to the fish stamp account for employee activities we identified as not pertaining to the program. In addition, Fish and Game should determine whether any other inappropriate expenditures were charged to the fish stamp account and make the necessary accounting adjustments.

Response: Agree. Fish and Game is reviewing the payroll practices to resolve and discontinue inappropriate payroll charges to the fish stamp account for identified employees not pertaining to the program. Fish and Game will review past expenditures to the account and make appropriate adjustments as necessary. Fish stamp staff will monitor CALSTARS reports for inaccurate coding and work closely with ASB to reconcile and adjust the records.

Again, thank you for the opportunity to provide comments to the audit. Please contact John McCamman, Chief Deputy Director, at (916) 653-7667, if you have any questions.

Sincerely,

(Signed by: Donald Koch)

Donald Koch
Director
Department of Fish and Game

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Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE DEPARTMENT OF FISH AND GAME

To provide clarity and perspective, we are commenting on the response to our audit report from the Department of Fish and Game (Fish and Game). The number below corresponds to the number we placed in the margin of Fish and Game's response.

Fish and Game states that project status is discussed at each fish stamp advisory committee (committee) meeting. However, based on our review of the meeting minutes, we did not see evidence of a discussion of each project's status at all meetings. Additionally, although the meeting minutes do provide information about the status of some projects, it is often very limited. For example, in the May 2007 meeting minutes, the committee was provided information on five projects that were funded since July 2006. However, the information regarding project status was limited to the name of the project and the amount funded. The meeting minutes did not include any details about the purpose of the five projects, whether work had already begun on them and, if not, when the projects were scheduled to start. Thus, we do not believe that the committee is being fully informed on the status of each project and, therefore, we have altered our recommendation to emphasize that project status should be one of the elements included in a written report to the committee.

①

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press