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A Management Review of the Department of Natural Resources

Members of the General Assembly requested that we review administrative issues within the Department of Natural Resources (DNR). This audit examines selected management and financial practices in order to determine whether DNR has properly safeguarded its resources, has complied with applicable laws and regulations, and has met its statutory responsibilities.

While funds that we reviewed were used in accordance with the purposes expressed in law, in some areas financial management could be improved. Internal controls to safeguard handling of cash, equipment, and other assets are lacking in some programs. Also, there

is a potential conflict of interest in the way DNR accounts for and uses funds from a private foundation.

One systematic problem within DNR is the lack of an internal audit department. While the State Auditor has recommended repeatedly since 1980 that an internal audit department be established, DNR management has not implemented this recommendation. Another systematic problem is a general lack of written policies to guide certain department operations. Without written policies, the agency is leaving the door open to possible abuse and mismanagement of key resources.

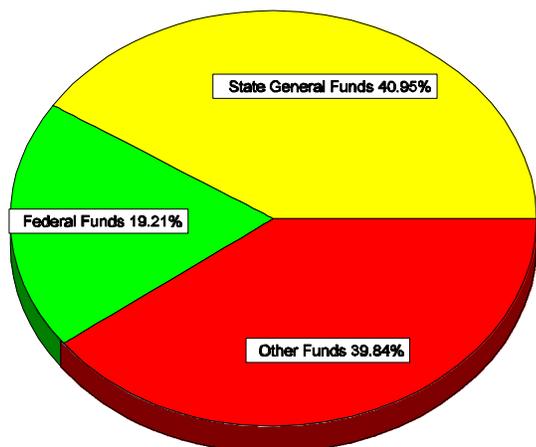
Management of Funds

In addition to receiving state appropriations and federal grants, DNR is allowed by law to collect and retain a variety of revenues for its operations. The chart below shows the distribution of DNR's revenues for FY 95-96, which amounted to a total of \$82 million.

Compared to other southeastern states in FY 95-96, DNR

expended a larger proportion of state appropriations as opposed to earned revenues (boating fees, hunting and fishing licenses, commercial licenses, etc.). DNR could slightly reduce its reliance on state funds if the agency were able to increase some license fees. For example, South Carolina charges only \$17 for the combination license (fishing, hunting, and big game) although if bought separately these licenses would cost \$28. DNR has proposed legislation to increase the combination license fee to \$22, which would raise an additional \$589,405 in annual revenues (based on FY 95-96 sales).

FY 95-96 DNR Revenues by Source



DNR is allowed by law to carry forward most of its funds that are unspent at the end of the year. Much of the revenue carried forward is required by law to be spent for a specific purpose. However, in FY 95-96 the agency had about \$5.3 million in carry-forward funds which were not restricted. DNR could have used some of these carry-forward funds to pay for operations, instead of requesting supplemental nonrecurring state appropriations. In FY 94-95 and FY 95-96, the agency received supplemental appropriations of \$2.26 million which it expended primarily on law enforcement equipment and vehicles.

Most of DNR's revenues are required by statute to be spent in a certain manner or for a specific program. We reviewed DNR's management of some of these funds.



County Funds: A Constitutional Question

DNR administers two kinds of funds that are kept in county accounts and must have the approval of county delegations to be spent.

- Water recreation resources funds* are derived from the boat gasoline tax and amounted to receipts of \$2,621,913 in FY 95-96.
- County game and fish funds* consist of one-half of the fees for out-of-state fishing licenses and the fines levied for violations of game and fish laws, and amounted to receipts of \$585,627 in FY 95-96.

The requirement that county delegations must approve the expenditure of these funds may be unconstitutional, according to an Attorney General's opinion we requested. We also found that significant amounts of these funds are spent for the operations of the law enforcement division and result in piecemeal purchasing of major equipment.

Duck and Marine Prints Given Away



DNR earns revenue from the sale of South Carolina Duck prints and stamps and the Marine Recreational Fisheries prints and stamps. However, the department has reserved, for its own use, the signed and numbered artist proofs, which are special editions of the prints. DNR has given these prints as gifts to selected individuals, including staff members. We determined that, since 1981, (assuming all prints were sold) about \$440,000 could have been available for program revenues. As of 1997, DNR began requiring recipients of the prints to begin paying for them, but at a price below the retail value.



Board Member's Airplane

The department pays the insurance, repair, and maintenance costs for an airplane owned by one of its board members and leased to the department for \$1 a year. During the time of this lease, the airplane has doubled in value.

Doe Tags and Salary Increases



We found no problems with DNR's management of doe tag revenues or with the way DNR used a special state appropriation for law enforcement salary increases.

The Harry Hampton Fund

We found problems with DNR's relationship with the Harry R. E. Hampton Memorial Wildlife Fund, a private foundation that raises money for wildlife conservation and resource management. This relationship lacks the proper checks and balances, and may represent a conflict of interest. DNR needs to establish an "arms length" relationship with the Fund.

- DNR board members have served as members of the Hampton Fund board in the past.
- DNR staff are salaried employees of the Fund. This includes the assistant director of DNR, who is the executive director of the Hampton Fund, and two other DNR employees. Together these three DNR staff received \$49,561 in salary supplements and \$26,963 in bonuses from the Fund from 1993 through 1996. The DNR internal auditor writes checks from the Hampton Fund for the Operation Game Thief account and keeps all financial records for the Palmetto Sportsmen's Classic.
- The Hampton Fund uses DNR staff and other resources without returning an equivalent amount of revenues to the department. For example, DNR staff, including law enforcement officers, are heavily involved in the Palmetto Sportsmen's Classic, a 3-day event that attracts as many as 80,000 people. DNR staff handle all phases of the undertaking, including scheduling vendors, selling tickets, setting up displays, handling security, promotions, receipts, and cleaning up after the event. For an event of this magnitude, such activities had to occur on state time. However, DNR does not require the Fund to reimburse the agency, and staff are not required to take annual leave for the hours worked for the Palmetto Classic.
- Overhead costs for holding the Palmetto Sportsmen's Classic take 60 cents of every dollar raised. Checks have been written directly to DNR employees, and some Fund revenues have been used for questionable expenditures, such as travel, social functions, and meeting supplies that included alcohol.

Management and Internal Controls

We examined the policies and procedures used by the department to ensure that cash, equipment, and other resources are used appropriately and effectively.

Lack of Internal Audit

DNR has never implemented an internal audit department although this has been repeatedly recommended by the state auditor. The one auditor on staff does not report to the DNR board and does not effectively provide assurances that agency resources are being used appropriately. Considering the size of the department and the amount of funds it controls, an internal audit department is considered essential.

\$232,000 in Fines Not Received



As of March 1997, DNR had not received approximately \$232,000 in court-ordered fines resulting from fishing and hunting violations. We recommended that DNR be granted the authority to deny a hunting or fishing license to violators who have not paid court-ordered fines.

Need for Law Enforcement Policies



In general, the DNR Law Enforcement Division needs written policies and better controls to ensure operations are carried out effectively and efficiently:

- DNR lacks adequate internal controls and policies for the disbursement of the cash rewards and undercover money which are a part of the Operation Game Thief program. Operation Game Thief provides a telephone hotline and cash rewards of up to \$500 for persons reporting fish and game violations. Law enforcement officers also are allowed to have \$1,000 or more in cash for undercover buys of illegal game.
- We recommended that the Law Enforcement Division use a formula to effectively allocate law enforcement officers in the counties. Currently the division has no way of knowing whether the counties are under- or over-staffed.
- We found that DNR's method for disposing of firearms confiscated by law enforcement does not provide for the most economical, efficient, and safe handling
- The department lacks policies to ensure that when it donates game to nonprofit institutions, such as orphanages, the meat has been properly handled and is free of disease.



DNR Officers Assigned to the Governor

Two DNR law enforcement officers are assigned full-time to the Governor's executive protection team. The team includes highway patrol and SLED officers, and guards the Governor and his family. DNR pays the salaries, benefits, travel (including foreign travel), and other expenses for these two officers, which amounted to \$102,800 in FY 95-96. Plus, DNR equipment valued at \$61,000 is assigned to the officers. It is unclear how this use of DNR personnel and resources supports the mission of DNR.

Equipment

DNR should develop policies that ensure adequate control over the \$31 million in equipment assigned to employees throughout the state. DNR's internal auditor does not physically verify any of the inventory self-reported by employees. For example, during our review, records showed 128 items totaling over \$804,000 were assigned to former employees—individuals who left DNR's employ. We reviewed a sample of 59 items from this category and requested that DNR account for the whereabouts of the property. The items were accounted for as follows:



Disposition of Judgmental Sample of 59 Equipment Items Assigned to Former DNR Employees			
# of Items	Approximate % of Sample	Dollar Value	Disposition
47	80%	\$160,049	Reassigned to another DNR employee or area.
4	7%	\$4,076	Coded as Lost.
4	7%	\$527,369	Coded as Surplus Property.
4	7%	\$9,516	Remain in Former Employee category.

We also reviewed DNR policies concerning the theft of agency equipment. For example, from August 1995 through November 1996, six all terrain vehicles (ATVs) and two trailers were stolen from the department. The replacement cost for this equipment is approximately \$30,212. We noted that in several cases, the stolen equipment was not immediately reported to management. DNR should develop and enforce policies which ensure that equipment is properly safeguarded against theft.

Administrative Issues

Based on the concerns of audit requester, we reviewed a variety of other areas, as follows:

South Carolina Wildlife Magazine

DNR has increased sales of wildlife products (shirts, calendars, etc.) and used product revenues to support the *South Carolina Wildlife* magazine, as directed by the appropriation act. State appropriations for the magazine have decreased correspondingly. Staff salaries and some operating costs are still funded with state appropriations. DNR is in the process of developing a business plan for the magazine, which should address ways to increase subscription and product revenues.

Magazine and Products Expenditures, FY 95-96	
Source of Funds	Expenditures
Magazine Subscriptions	\$475,704
Product Sales	\$146,564
Wildlife Revenues	\$71,424
State Appropriations	\$487,454
TOTAL	\$1,181,146

Land Issues

DNR has jurisdiction over approximately 200 tracts of land around the state. We reviewed land, including Heritage Trust properties, acquired from June 1994 through December 1996 and found that state procedures for procurement of property were followed. We also noted the following:

- At the Webb Center, located in Hampton County, DNR needs better controls over cash receipts.
- The Santee Coastal Reserve, which is considered to be one of the best locations for duck hunting, is currently leased by DNR to a private hunt club. When the hunt club's lease and license expire in 1999, DNR should discontinue this arrangement and allow public access to the reserve.
- DNR may not be adequately meeting the maintenance and capital improvement needs of Heritage Trust properties. This may be due to a lack of planning and resource allocation, plus a failure to establish user fees.

Statutory Issues

Generally, membership on DNR's advisory committees has been allowed to become entrenched with members being reappointed over and over. DNR board members serve as chairpersons and voting members on advisory committees, with some members serving on more than one committee. The membership of the Migratory Waterfowl Committee may be unconstitutional.

Licensing and Permitting

We reviewed a judgmental sample of aquaculture permit files to determine if DNR is able, through a licensing or permitting process, to restrict entry into freshwater or saltwater fisheries. No restrictions to entry or evidence of board member involvement were found; however, DNR needs a formal procedure for administering aquaculture permits.

Employment and Terminations

Women and minorities account for 37% of DNR's employees. While law enforcement remains white male dominated, DNR has an affirmative action plan on file and in January 1997 the first black female law enforcement officer began work at DNR. We reviewed the files of all six employees who had been terminated by the department during FY 94-95 and FY 95-96, and found that DNR has complied with state regulation and policy regarding terminations.

This document summarizes our full report, *A Management Review of the Department of Natural Resources*. The full report, as well as any LAC audit, is available free of charge. Audits published after January 1995 can also be found on the Internet at www.state.sc.us/sclac. If you have questions, contact George L. Schroeder, Director.