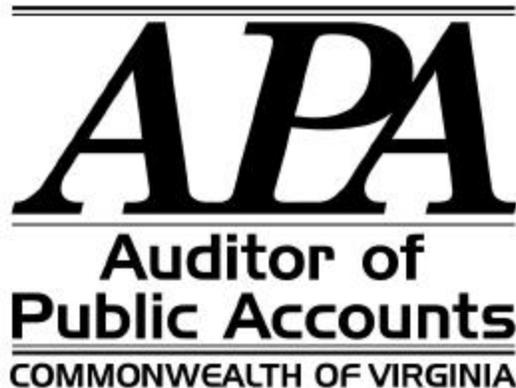


**DEPARTMENT OF GAME AND INLAND FISHERIES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Department of Game and Inland Fisheries for the period ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider to be material weaknesses;
- no instances of noncompliance with applicable laws and regulations tested that are required to be reported; and
- adequate implementation of corrective action on prior year audit findings.

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May 8, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Game and Inland Fisheries** for the year ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from the prior year report.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues
Expenditures

Payroll
Contract Management

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we considered to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with representatives of management at an exit conference held on May 29, 2001.

AUDITOR OF PUBLIC ACCOUNTS

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SELECTED AGENCY INFORMATION

Agency Overview

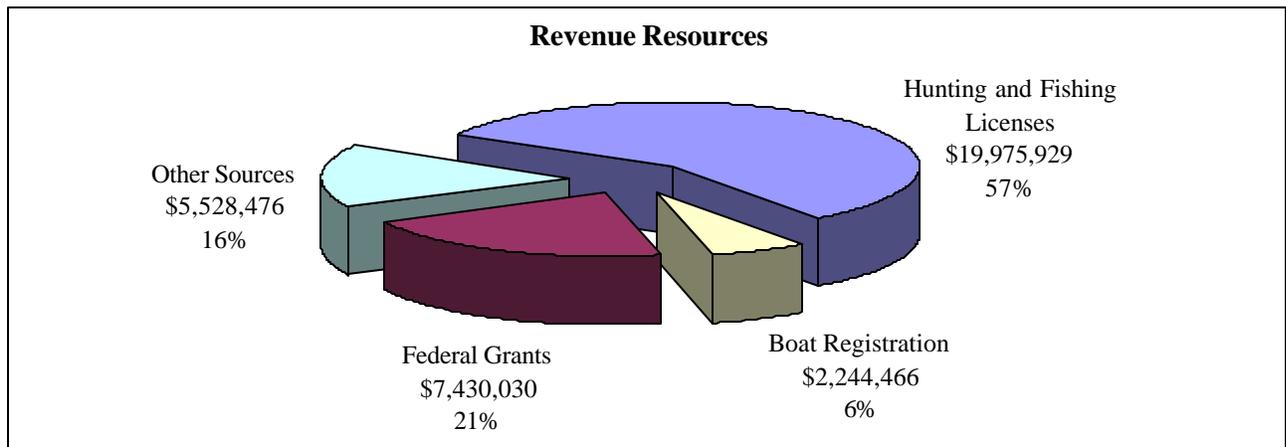
The Department of Game and Inland Fisheries' manages Virginia's wildlife and inland fish to maintain optimum populations of all species to serve the needs of the Commonwealth; provides opportunities for all to enjoy wildlife, inland fish, boating and related outdoor recreations; and promotes boating, hunting and fishing safety. A policy/supervisory board that is comprised of 11 members, one from each congressional district, governs the Department. Board members are appointed to four-year terms by the Governor. The board appoints an executive director for the Department who serves as the principal administrative officer for the agency.

The Department enforces laws for the protection, propagation, and preservation of wildlife and fish, assists in enforcing all forestry laws, and seeks to optimize game and fish populations. The Department owns 35 lakes and operates an additional 165 lakes. The Department maintains over 1,000 miles of roadways and manages 186,000 acres of land on 33 wildlife management areas. The Department also manages approximately two million acres of federal land mostly in National Forests.

The Department has five divisions, and it operates five regional and 14 district offices throughout the Commonwealth. The five divisions include Law Enforcement, Wildlife, Fisheries, Wildlife Information and Enhancement, and Administrative Services.

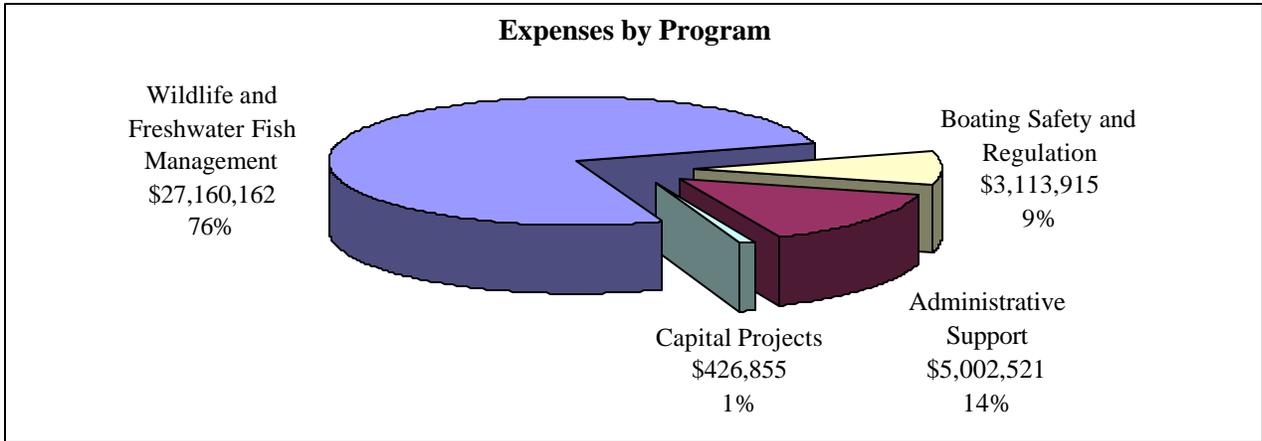
Financial Highlights

The Department received almost \$35.2 million in revenue for the fiscal year. Also, the Department carried over an additional \$12 million cash balance from the prior year. The following chart illustrates the Department's revenue sources.



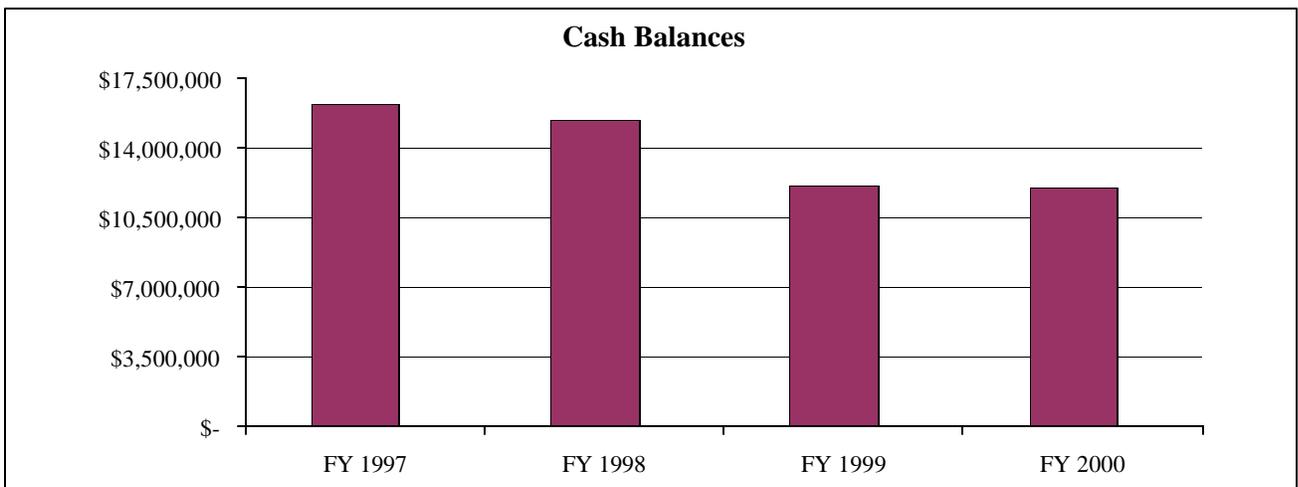
Other sources include \$4.9 million in watercraft sales and use taxes collected by the Department of Taxation in accordance with Section 58.1-1410 of the Code of Virginia. These taxes, which Taxation forwards to the Department, fund boating-related activities.

The Department spent approximately \$35.7 million on programs during fiscal year 2000. The chart on the following page shows the total expenses by program.



Capital and Cash Flow Needs

In October 1996, the Auditor of Public Accounts issued a special report entitled “Department of Game and Inland Fisheries Cash Reserves,” which reviewed the Department’s short and intermediate-term capital and cash flow needs. The report concluded that the Department would not have the revenue capacity to reserve current or projected revenues to meet capital or cash flow needs. Internal projections at that time anticipated operating deficits by fiscal year 1999. As predicted, the Department experienced an operating deficit of approximately \$2.9 million in fiscal year 1999. This deficit contributed to a reduction in the Department’s overall cash balance in fiscal year 1999. Although the Department’s cash balance remained relatively steady between fiscal years 1999 and 2000, as the following graph depicts, the Department’s cash balances have declined over the last several years.



Because of the above situation, the General Assembly passed legislation in 1998 that, beginning with fiscal year 2001, allocates up to \$13 million per year in existing sales tax collections on hunting, fishing, and wildlife-watching equipment to the Department. The actual amount of additional funding uses an estimate of sales to anglers, hunters, and wildlife-watchers as determined by the National Survey of Fishing, Hunting, and Wildlife-Associated Recreation conducted by the United States Fish and Wildlife Service.

The bill also created the Capital Improvement Fund for the purchase, maintenance, or repair of the Department's capital assets. The board may transfer up to 50 percent of the dedicated sales tax revenue to the Capital Improvement Fund.

In fiscal year 2001, the Department received an appropriation of \$9,199,979 from the sales tax collections. As of April 27, 2001, the Department received and transferred \$6,323,010 of the funding to the Game Protection Fund.

The Department has contracted with a vendor to assist in developing a long-term strategic plan. With a new strategic plan, the Department hopes to use their funding more effectively for services that will benefit all of the Commonwealth's citizens. The Department expects to complete the strategic plan and have the Board consider and adopt the plan in early to mid 2002.

Systems Development

The Department contracted with PricewaterhouseCoopers in January 1999 for the design of an integrated financial system. The system, known as the Comprehensive Financial Information Reporting System (CFIRS), consists of several modules including Personnel Costing, Budget, Voucher, Purchasing, Financial Reporting, Amex, Federal Funds Management, and Asset Management. When fully implemented, the system will replace approximately 26 systems that run on various platforms. The PricewaterhouseCoopers contract concludes at the end of May 2001 with the completion of a functional audit of the system. Management plans to fully implement the system by August 2001. To date, the Department has spent \$1,334,430 on this project and estimates the total cost at nearly \$2.2 million.

DEPARTMENT OF GAME AND INLAND FISHERIES
Richmond, Virginia

William L. Woodfin, Jr., Director

Raymond E. Davis, Director of Administration

BOARD OF DIRECTORS

J. Carson Quarles, Chairman

Cecil T. Campbell	Charles G. McDaniel
Richard L. Corrigan	Will McNeely
Billy R. Cramer	Rickie L. Richards
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