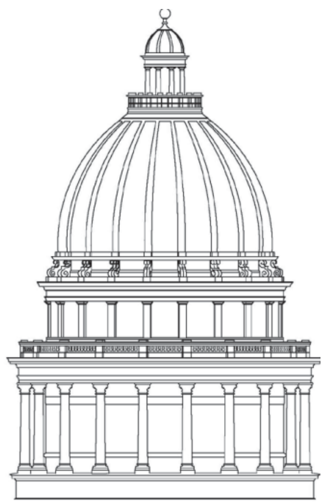
REPORT TO THE

UTAH LEGISLATURE

Number 2019-10



An In-Depth Budget Review of The Department of Natural Resources

September 2019

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah

STATE OF UTAH

Office of the Legislative Auditor General

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KADE R. MINCHEY, CIA, CFE
AUDITOR GENERAL

September 18, 2019

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **An In-Depth Budget Review of the Department of Natural Resources** (Report #2019-10). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

Kade R. Minchey, CIA, CFE
Auditor General

Digest of an In-Depth Budget Review of the Department of Natural Resources

The Utah Department of Natural Resources (DNR) spent nearly $234 million in fiscal year 2018. With funding coming from multiple sources, the department is responsible for overseeing and managing the state's varied natural resources. Seven divisions within DNR manage wildlife, oil and gas, minerals, forests and rangeland, and water, among other responsibilities. The findings within this report cover issues in areas throughout DNR. Additionally, *A Performance Audit of Utah's Oil and Gas Program* (Report #2019-11) was conducted in conjunction with this in-depth budget review.

Chapter II
WRI Should Formalize Governance And Improve Metrics

WRI Oversight Should be Outlined as the Program Continues to Grow. WRI is not mentioned in statute or rule, and it does not have any policies or procedures. The Legislature funded WRI in 2005 with a small appropriation. However, the program has grown significantly in scope and number of projects and is estimated to have spent $240 million since its inception. While other DNR divisions and programs have statutory or other prescribed oversight, WRI does not. Written, outlined processes and controls would help formalize WRI's oversight structure moving forward.

Reporting of WRI Information Can Improve. Since the WRI program consists of many state, federal, non-government, and private funds, it is imperative the program is clear with how it is funded and how monies are spent. The Legislature can see the funds they appropriate to the program, which accounted for $6.8 million in fiscal year 2018. However, WRI does not make easily accessible the larger portion, the annual funding the program receives from partners (nearly $33 million in fiscal year 2018). To better communicate the size and leveraging success of the program, WRI should report the following:

- The program's total annual resources, including partner funds
- State funding used to leverage non-state partner resources
- All administrative costs of the program, which, for personnel-only costs, totaled nearly $744,000 in fiscal year 2018

WRI Impact Is Difficult to Measure, But Better Tracking Is Possible. Although the program continues to monitor its progress in affecting the state's watersheds, tracking annual improvements is difficult to do. This difficulty stems, in part, from the reality that while performance metrics are often tracked annually, improving a landscape should be viewed from a long-term perspective. WRI has three stated objectives that have remained unchanged since the program's creation. However, these objectives have been difficult to quantify. To better demonstrate its short-term impact, WRI should set clear goals that are measurable and targets that drive performance. The program should also measure long-term impacts by using other DNR resources, including research, to track program outcomes and effectiveness. While WRI appears to be doing positive work, the program should improve its ability to demonstrate its impact.

Chapter III
DNR's Internal Audit Lacks Sufficient Independence and Effectiveness

Impairments to Audit Independence Have Existed for Many Years. The Utah Internal Audit Act requires DNR, along with other state entities, to conduct internal audits independent of agency operations. Despite this requirement, DNR's audit director is also the department's finance director, which weakens auditor objectivity. We believe that the position's importance to the organization and involvement with department operations continues to present independence issues.

Internal Audit Has Not Performed Required Annual Risk Assessments. DNR's internal audit office is out of compliance with statute and standards because it did not develop an audit plan for more than two years prior to this audit. By not developing an audit plan, the office is either not continually monitoring for risk or not addressing it in a timely manner. The internal audit director should annually submit internal audit plans, with corresponding risk assessments, to the executive director or audit committee each year.

Internal Audit Has Not Performed Required Follow-Ups on Prior Findings. Internal audit has not performed follow-ups on prior audit findings. This practice, required by audit standards and DNR policy, is intended to promote accountability among auditees and confirm the status of each recommendation. Among the seven internal audits we reviewed, we found internal audit never followed up on recommendations intended to address variances in inventory and strengthen controls over finances. DNR is assuming risk for findings that remain unaddressed.

Chapter IV
Like Similar Entities in Other States, DWR Could Become More Self-Funded

DWR Could Become More Self-Funded by Raising Nonresident Fees. DWR has the potential to become less dependent on General Fund appropriations. In 2017 and 2018, DWR received $6.3 million and $7.9 million, respectively, from the General Fund. Colorado, Idaho, Montana, and Wyoming's wildlife divisions are all self-funded and receive no money from their state's general fund. DWR could increase the costs of nonresident fishing licenses, premium hunt applications, and high-volume hunting permits which would help it become more self-funded. Increasing the fees/permits would help DWR work toward becoming more self-funded.

Nonresident Users of State Resources Could Help Cover AIS Costs. In 2012, aquatic invasive species were detected in Lake Powell. As a result, DWR's Aquatic Invasive Species program (AIS) has increased its efforts in trying to contain the spread of invasive species to other regions of the state. Although DWR does not charge nonresidents an AIS fee for boating in Utah, residents pay an annual fee of $10 (beginning in 2017) when they register their boats. In fiscal year 2018, a total of $661,360 was collected from Utah boaters to fund a portion of the AIS program.

Chapter V
DNR Should Improve Its Oversight of Division Assets

DNR's Assets Are at Risk Due to Insufficient Segregation of Duties. Our review of DNR divisions' asset management practices found that asset tracking procedures lack proper segregation of duties. Segregation of duties is a control intended to prevent an employee from both executing and concealing errors or fraud, in this case as the issue relates to asset management. We also found that, among all state agencies, DNR is responsible for the second-highest value of state equipment assets.

DNR Divisions Have Missing Assets and Poor Records. During our limited review, we found more than $35,000 in missing assets at the Division of Parks and Recreation. In addition, we found that individuals in charge of tracking assets at five divisions admitted their asset lists are not accurate or lack equipment values.

REPORT TO THE

UTAH LEGISLATURE

Report No. 2019-10

An In-Depth Budget Review of the Department of Natural Resources

September 2019

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Chapter I
Introduction

The Utah Department of Natural Resources (DNR) spent nearly $234 million in fiscal year 2018. With funding coming from multiple sources, the department is responsible for overseeing and managing the state's varied natural resources. Seven divisions within DNR manage wildlife, oil and gas, minerals, forests and rangeland, and water, among other responsibilities. This chapter discusses the following:

The Department of Natural Resources (DNR) is responsible for overseeing all state natural resources.

- The statutory mandate for our office to conduct in-depth budget reviews and provide an overview of the risks we identified during the audit
- DNR's structure, revenues, and expenses from 2014 to 2018

The findings within this report cover issues in areas throughout DNR. Additionally, *A Performance Audit of Utah's Oil and Gas Program* (Report #2019-11) was conducted in conjunction with this in-depth budget review.

In-Depth Budget Reviews Are Statutorily Required, Risks Identified

The Legislative Audit Subcommittee prioritized this audit, which provides a review of DNR's budget and performance. To complete this review, we conducted a risk assessment of the department's structure, controls, efficiencies, revenues, and spending over five years. The chapters within this report are based on our risk analysis and statutory language for in-depth budget reviews.

We performed risk assessments of the department's controls, revenues/expenses, and operations.

Utah Code 36-12-15.1 requires the Office of the Legislative Auditor General to, subject to Legislative Audit Subcommittee prioritization, annually audit the appropriations of at least one entity. The intent of these audits, as outlined in statute, is to determine how efficiently and effectively the entity has used its appropriated funds. These and other statutory requirements for in-depth budget reviews are shown in Figure 1.1.

Figure 1.1 In-Depth Budget Audits Require a Review of Appropriations and Spending. The following is a summary of statutory language defining the required elements of in-depth budget reviews.

1. The entity's appropriation history
2. The entity's spending and efficiency history
3. Historic trends in the entity's operational performance effectiveness
4. Whether the entity's size and operations are commensurate with their spending history, and
5. Whether the entity is diligent in its stewardship of state resources

Source: **Utah Code** *36-12-15.1*

To conduct this audit, we performed a risk-based review of DNR's operations and identified key concerns related to the department's budget. The fulfillment of statutory requirements guiding this review can be found in each chapter of this report. For example, this chapter addresses requirements 1 and 2 (as shown in Figure 1.1) spanning fiscal years 2014 to 2018. In addition:

Chapters in this report align with statutory requirements guiding in-depth budget reviews.

- Chapter II addresses requirements 3, 4, and 5 as they relate to concerns regarding the Watershed Restoration Initiative (WRI).
- Chapter III fulfills requirements 3 and 5 by looking at issues pertaining to internal audit independence and effectiveness.
- Chapter V discusses control weaknesses in division asset tracking, fulfilling requirement 5.

We also found an area of opportunity, reported in Chapter IV, for the Division of Wildlife Resources to become more self-funded through assessing or increasing some fees. In summary, we believe the issues highlighted in this report have the potential to positively affect DNR's budget and processes.

Budget Review Focuses on Revenues, Expenses, and Effectiveness

DNR oversees seven divisions with individual mandates to provide oversight of the state's natural resources. The department receives various funding to accomplish this goal, with the majority of DNR's revenue coming from restricted accounts, General Fund appropriations, and federal sources. Division-level expenses over the same period were also reviewed. We found that three divisions account for approximately three-quarters of all spending within the department. This section provides a brief summary of DNR revenue and expenses from fiscal years 2014 to 2018.

Structure of Natural Resources Includes Seven Divisions and Several Programs

A 2016 report studying the potential optimization of some DNR functions provided a brief history of the department. The report states that DNR was formed to integrate the competing interests across each of its divisions. The goal in doing so was to optimize interests in both the development and conservation of Utah's natural resources.

DNR was formed to integrate competing interests across each of its division, focusing on both conservation and development.

To accomplish its mandate to address these somewhat competing objectives, the department today oversees a wide variety of functions. It appears that DNR has done well to integrate these varying interests among its seven divisions. Figure 1.2 shows the overall structure of DNR's divisions.

Figure 1.2 DNR Administration Oversees Seven Divisions with Diverse Mandates. This report addresses issues found in the divisions shown in dark blue on DNR's organizational chart.

Source: Auditor generated

Each of the seven DNR divisions has separate mandates to manage resources within the state. A brief summary and budget of each division can be found in Appendix A of this report.

Issues covered in this report span those divisions in dark blue found in Figure 1.2.

Aside from the organizational structure, DNR has eight main budgetary areas, including administration. Our review of two areas within administration, WRI and internal audit, can be found in Chapters II and III of this report, respectively.

Appropriation History: DNR Revenues Come from Three Major Sources

Restricted and other account funds, General Fund appropriations, and federal sources are the three largest sources of DNR's funding. Restricted revenue alone is estimated to account for 33 percent of all DNR revenue. Figure 1.3 shows the total revenues DNR received in fiscal year 2018 from its varied sources and the percentage of budget each source represents.

Figure 1.3 Together, Restricted Funds and General Fund Appropriations Fund More Than Half of DNR's Operations. Federal funds make up 17 percent of the department's budget.

	2018 Revenues	Percentage of DNR Revenue
Restricted and Other Accounts*	$97,391,700	33%
General Fund (Ongoing and One-Time)	72,008,100	25
Federal	48,195,800	17
Beginning Non-Lapsing	29,421,900	10
Dedicated Credits	26,077,700	9
Transfer	16,497,200	6
Total	**$289,592,400**	**100%**

*Source: Auditor summary of Legislative Fiscal Analyst COBI data. *DNR has several account types including restricted and expendable special revenue accounts. Additionally, these numbers are rounded, and do not include Lapsing and Closing Nonlapsing fund balances.*

Restricted revenues, which is derived from fees or fines intended for a specific purpose, provided the most funding to DNR's budget in 2018.

Twenty-four restricted and other accounts combined to add $97 million to DNR's total revenue. The combined value within these accounts, as of year-end fiscal year 2018, was approximately $289 million.[1]

Restricted accounts are defined in statute as "collections that are deposited, by law, into a separate fund . . . for a specific program or purpose." An example of one of these restricted accounts is the Boating Account. Created in ***Utah Code*** 73-18-22, Boating Account revenue comes from registration fees, fines, the motor fuel tax, and other sources. With a $2.8 million balance in fiscal year 2018, this account is to be used for construction, improvement, and operation and maintenance of publicly owned boating facilities; boater

[1] ***Utah Code*** 63J-1-104 explains that unless specified, "revenues in a restricted account or fund do not lapse to another account or fund" but lapse back to the applicable restricted account. Restricted revenues may include fees, fines, donations, and grants.

education; and administrative costs. A summary of DNR restricted and other accounts is provided in Appendix B of this report.

Along with restricted revenue and General Fund appropriations provided by the Legislature, DNR also received $48 million in federal funds. The Department of the Interior's U.S. Fish and Wildlife Service alone distributed nearly $21 million to Utah in fiscal year 2018. This money provides a substantial amount of funding to the state for conservation and recreation projects. DNR's other funds are carried forward from previous year funding, approved as dedicated credits,[2] or passed through as transfers[3] for a purpose outlined in statute.

DNR also receives a large amount of General Fund appropriations from the Legislature and federal funding.

A review of the department's appropriations history reveals that DNR revenue has increased through its several sources. Figure 1.4 shows the history of departmental revenues over five years.

Figure 1.4 DNR Revenues from Restricted and Other Accounts, General Fund, and Other Sources Increased from Fiscal Year 2014 to 2018. Amounts are in millions of dollars.

	2014	2015	2016	2017	2018
Restricted and Other Accounts	$90.8	$93.1	$98.5	$104.6	$97.4
General Fund	36.8	37.5	54.7	41.9	72.0
Federal	38.1	41.4	39.4	49.4	48.2
Beginning Nonlapsing	21.0	17.2	14.5	32.9	29.4
Dedicated Credits	18.7	18.3	19.9	22.5	26.1
Transfer	16.2	7.2	9.8	11.2	16.5
Total	**$221.6**	**$214.6**	**$236.8**	**$262.5**	**$289.6**

Source: LFA 2018 and 2019 COBI publication. Other revenue sources are not included in this figure for fiscal years 2016 and 2017, because they account for a very small portion of the budget and are not available in other years. Additionally, numbers are rounded and may not add to some totals.

Revenue from each of DNR's funding sources increased since 2014, with General Fund appropriations growing the most as a percent of DNR's budget.

Revenue from each funding source has increased over five years, as shown in the figure. However, the percentage of the overall budget coming from each source has remained similar for all but two sources. From fiscal year 2014 to 2018, DNR's percentage of revenue coming from restricted and other accounts decreased from 41 to 34 percent.

[2] Dedicated credits are collected by an agency to fund its operations. These may include revenue from permits, fees, fines, or from sales of goods or services and can be expended for any purpose within a program or line-item.

[3] Pass-through funding is defined in ***Utah Code*** 63J-1-220 as money appropriated to a state agency that is intended to be passed to a local government entity, private organization, or person and can be one-time or ongoing.

Over that same period, DNR's revenue from the General Fund, including General Fund one-time money, increased from 17 to 25 percent.

Spending History: DNR's Expended Funds Vary Greatly Among Divisions

A review of DNR division spending over five years shows significant variations in the level of resources each division manages.

A review of the department's division-level annual expenses also provides insight into DNR's budget and operations. As mentioned previously, DNR has eight budgetary divisions. Division-level spending within these budgets varies significantly. For example, where Wildlife Resources expended nearly $100 million in fiscal year 2018, Utah Geological Survey spent approximately $8 million. Figure 1.5 shows division spending, and the percentage change in spending, from fiscal years 2014 to 2018.

Figure 1.5 Division-Level Spending Has Increased in All but Two Divisions Since Fiscal Year 2014. Meanwhile, Wildlife Resources; Forestry, Fire & State Lands (FFSL); and Parks & Recreation account for 74 percent of DNR's expended funds. Amounts are in millions of dollars.

	2014	2015	2016	2017	2018	%Chng
Administration	$14.0	$16.3	$16.3	$18.4	$17.5	25%
FFSL	28.9	28.3	25.5	33.5	36.5	26
Oil, Gas & Mining	12.0	11.2	9.2	9.8	10.4	-13
Parks & Recreation	34.0	32.7	34.9	38.7	38.6	14
Water Resources	6.1	5.9	7.2	8.7	12.7	108
Water Rights	9.4	10.0	10.3	10.8	11.6	23
Wildlife Resources	77.4	81.2	85.2	94.4	99.0	28
Geological Survey	8.6	8.5	7.5	7.7	7.6	-12
Total	**$190.4**	**$194.0**	**$196.1**	**$222.0**	**$234.0**	**23%**

Source: FINET data with auditor analysis. Note that the totals in this figure do not match those in Figure 1.4 because not all revenue was spent and either lapsed back to source funds or was carried forward for next year's budget. Additionally, numbers are rounded and may not add to some totals.

While most division spending increased since fiscal year 2014, the Division of Oil, Gas, and Mining and the Utah Geological Survey decreased their spending.

Figure 1.5 shows that between fiscal years 2014 and 2018, Water Resources and Wildlife Resources increased their spending by 108 and 28 percent, respectively. Conversely, Oil, Gas, and Mining and Geological Survey decreased their spending by 13 and 12 percent, respectively. The large increase in Water Resources' budget appears to be driven primarily by dam safety projects, where federal partners matched state funding. A total of $8.3 million was spent on dam construction projects from fiscal years 2016 to 2018.

In our review of expenditures, we also looked at personnel costs, turnover rates, and the department's use of seasonal employees, as these can be budgetary cost drivers. We found that DNR, in fiscal year 2018, spent nearly 43 percent of its budget on personnel. This spending on personnel appears to be less than other departments we reviewed in the state. Additionally, between fiscal years 2014 and 2018 we found the following:

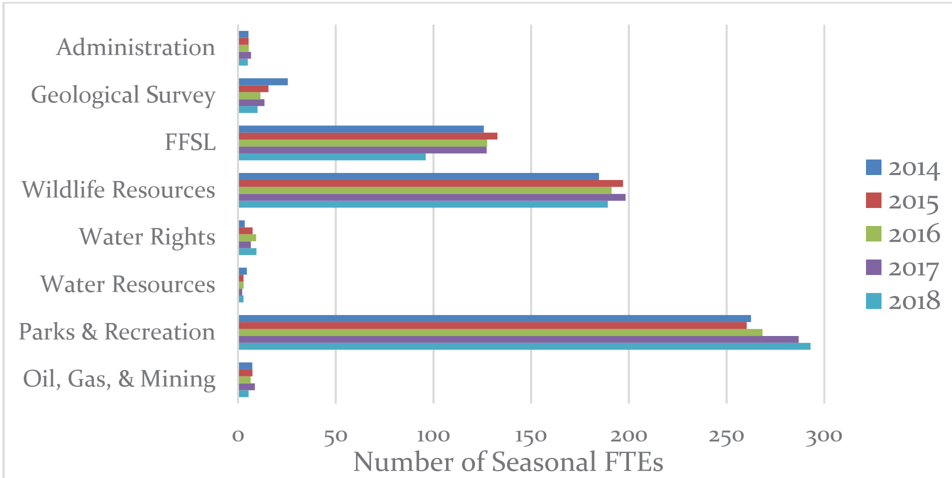
Personnel costs make up the largest percent of DNR spending, increasing to over $101 million in five years.

- DNR expenses for personnel services increased 13 percent, to over $101 million.
- Most DNR divisions hired additional FTEs[4] except for the Utah Geological Survey and the Division of Oil, Gas, and Mining. The Division of Oil, Gas, and Mining will be discussed in greater detail in Report #2019-11.
- DNR employee turnover rates compare closely with the Department of Agriculture and Food and the Department of Environmental Quality.

Finally, we compared each division's use of seasonal employees to determine which divisions have a relatively stable employee base and which hire additional help as needed. Figure 1.6 shows each division's hiring of seasonal employees between fiscal years 2014 and 2018.

[4] DNR's finance director explained that FTE increases, reflected in FINET data, may also be the result of increased overtime.

Figure 1.6 DNR Employs Many Seasonal Workers to Assist With Operations. Parks & Recreation, Wildlife Resources, and FFSL hire a high number of seasonal FTEs.



Source: Auditor generated using data provided by the Department of Human Resource Management

Three division budgets support a large number of seasonal employees compared to other divisions.

The figure shows that three divisions employ a large number of seasonal FTEs to assist in their operations. These employees fluctuate based on need and are hired to a greater degree by Parks and Recreation, Wildlife Resources, and FFSL.

Scope and Objectives

This in-depth budget review reports on risks identified in various divisions and programs throughout DNR.

This audit was prioritized in accordance with *Utah Code* 36-12-15.1, which authorizes in-depth budget reviews of state entities. Accordingly, this audit was conducted to assess DNR's budget and programs. Chapter I of this report has addressed DNR's mission, structure, and budget. The remaining chapters address the following issues, identified during our in-depth budget review:

- **Chapter II:** The Watershed Restoration Initiative should formalize governance and improve performance metrics.
- **Chapter III:** DNR's internal audit function lacks independence in accordance with state law and audit standards. Improved monitoring is needed to appropriately account for risk.
- **Chapter IV:** DWR could charge nonresident an invasive species fee and increase other fees which would help the division become more self-funded.

- **Chapter V:** Despite DNR's high number of assets, division tracking and record keeping are weak, exposing the department to risk.

As previously mentioned, we also conducted a performance audit within the Division of Oil, Gas, and Mining as part of this in-depth budget review. The findings of that audit are found in *A Performance Audit of Utah's Oil and Gas Program* (Report #2019-11).

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Chapter II
WRI Should Formalize Governance And Improve Metrics

The Watershed Restoration Initiative (WRI) is a Utah coordinated partnership among state, federal, non-government, and private entities aimed at improving state watersheds.[5] WRI is a unique program without an equivalent in any other state.[6] The program, housed within the Department of Natural Resources (DNR), appears to do well in coordinating efforts and resources among various land managing partners.[7] Despite WRI's successes, there are a few areas of the program that should be improved, which are highlighted in this chapter. Specifically,

The Watershed Restoration Initiative (WRI) is recognized as a successful program and collaborates work among various federal, state, and private entities in an effort to improve Utah's watersheds.

- WRI oversight should be formalized, as the program, which has grown significantly since 2005, is not found in statute, administrative rule, or internal policies and procedures.
- WRI should improve its reporting to the Legislature by regularly reporting matched partner funds and administrative costs.
- WRI's impact is difficult to measure, but better tracking and monitoring are possible.

WRI is recognized by many as a successful program, but its impact to the state is not yet fully known. We believe a more formalized governance structure, clearer reporting, and continued performance tracking will further help the program moving forward.

Though WRI appears to be a well-run program, this chapter focuses on WRI's need for outlined governance, clearer reporting, and the ability to better measure its impact.

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[5] The U.S. Forest Service defines a watershed as "an area of land where all of the water that is under it, or drains off of it, collects into the same place."

[6] New Mexico has a program that is similar in purpose, but it's structure and level of dedicated resources do not compare well with WRI.

[7] Partnering with the WRI program are federal land management agencies that include the Bureau of Land Management and the U.S. Forest Service. State partners include the Department of Agriculture and Food; Department of Environmental Quality; SITLA; and DNR's Division of Wildlife Resources and Division of Forestry, Fire, and State Lands. WRI also partners with private landowners and non-governmental organizations.

WRI Oversight Should be Outlined as the Program Continues to Grow

WRI is not mentioned in statute or rule, and it does not have any policies or procedures. The Legislature funded WRI in 2005 with a small appropriation. However, the program has grown significantly in scope and number of projects and is estimated to have spent $240 million since its inception. While other DNR divisions and programs have statutory or other prescribed oversight, WRI does not. Written, outlined processes and controls would help formalize WRI's oversight structure moving forward.

Federal and state partners report that WRI has done well to coordinate projects among several parties. Some projects WRI recently performed to maintain and strengthen the watershed include reducing invasive plant species and excess timber, planting seeds on wildfire burn scars, and restoring and maintaining banks along rivers within the state. A map showing the location of all WRI projects can be found in Appendix C of this report.

WRI Program Governance Is Not Outlined In Statute, Rule, or Policy

WRI has spent $240 million since inception but does not have an oversight structure or guiding principles in statute, administrative rule, or policy.

WRI is not outlined in statute, rule, or internal polices and procedures. As a result, the definition of what *watershed restoration* means to the Legislature is undefined. An example of the need to formalize WRI's process can be found in its unclear reporting structure. Though undocumented, DNR staff reported that the program has historically received oversight in the following two ways:

- **Reporting to Utah Partnership for Conservation and Development Board (UPCD).** The WRI director explained that oversight of the program is provided by UPCD. However, we could neither find any reference to UPCD in statute nor their mandate to oversee the program. In addition, the board has not posted any meetings or meeting minutes on the state's open meetings website. There is no evidence that UPCD, as a board, oversees WRI.

- **Reporting Directly to the DNR Executive Team.** WRI staff update DNR management and seek their guidance, though what and how information is reported is not outlined. We were told the DNR director signs off on all WRI decisions and has historically overseen the project ranking process.

Legislative attorneys at the Office of Legislative Research and General Counsel (OLRGC) stated that it is not statutorily required for a large program, such as WRI, to be codified in statute. However, we found precedence for this practice in other DNR programs and divisions. Figure 2.1 shows that while many of these programs have oversight outlined in statute, WRI does not.

Though not required to be in statute, many programs and divisions with smaller budgets have governance and procedures outlined in *Utah Code*.

Figure 2.1 As Compared to Several Divisions and Programs, WRI Lacks a Formalized Oversight Structure. WRI's budget is larger, but its oversight is undefined, compared to these other entities.

Division/Program	2018 Budget	Oversight
Division of Wildlife Resources	$99,017,000	Statute
WRI Program	38,800,000*	Not Outlined
Division of Parks and Recreation	38,646,000	Statute
Division of Water Resources	12,726,000	Statute
Division of Oil, Gas, and Mining	10,421,000	Statute
Utah Geological Survey	7,598,000	Statute
Department of Agriculture – Grazing Improvement Program (GIP)±	1,997,400	Statute
Depredation Program	$700,000	Statute

*Source: **Utah Code** and 2018 COBI.*
**This number was calculated using WRI data and reflects funding that WRI received, but may not have spent, in 2018.*
*±The Department of Agriculture and Food's GIP program is similar to WRI in that it coordinates with several entities to improve grazing, rangeland, and watershed health. Because of these similarities, GIP was included in this comparison. **Utah Code** 4-20 outlines the responsibilities of the commissioner of Agriculture and Food and of the State Grazing Advisory Board which provides advice and recommendations regarding the GIP program.*

WRI also lacks formalized language in administrative rule and internal policy that outlines the program's purpose and oversight. Without this structure there is potential for the program to stray from its original purpose.

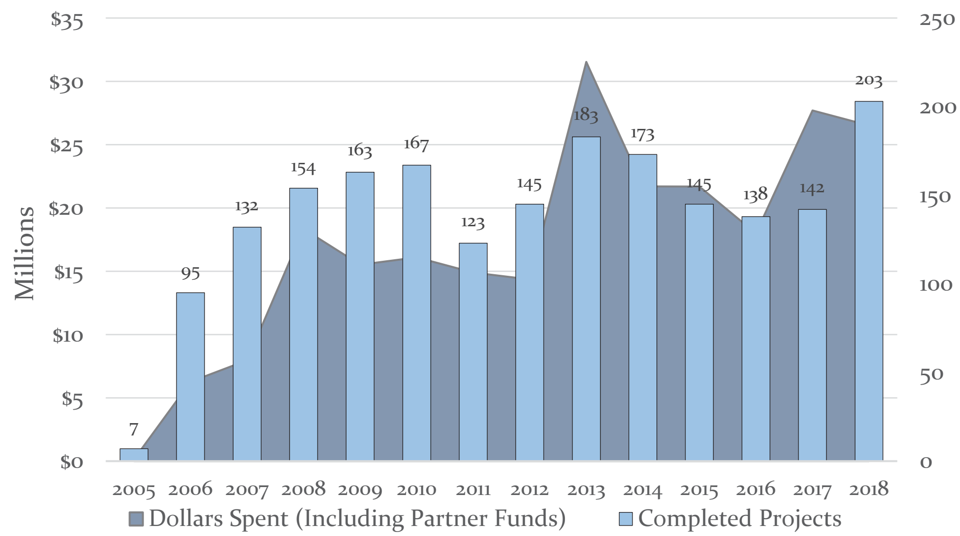
By codifying the program in statute, or at the very least in DNR policy, WRI could achieve stronger accountability and guidance moving forward.

We asked legislative attorneys to provide us with a legal analysis about whether the WRI should be codified in statute or created by rule (for the complete analysis see Appendix D). The analysis identifies both advantages and disadvantages of codification and concludes that whether WRI should be codified in statute or created by rule is a policy decision for the Legislature. We therefore recommend, as a policy decision, the Legislature consider codifying the WRI program's mission and oversight structure. We also recommend DNR adopt internal policies and procedures to guide WRI operations, set controls, and outline program procedures.

WRI Has Expanded Its Operations

WRI has expanded its operations and the program has experienced significant growth over the last 13 years. Built on a small appropriation in 2005, the program has since evolved and expanded, growing in dollars spent and projects completed, as shown in Figure 2.2.

Figure 2.2 WRI Has Expanded Significantly Since 2005. Since its creation, WRI's number of completed projects has increased by approximately 200, and spending has grown by more than $26 milllion.



Source: Auditor generated with WRI data

The need for stronger guidance is heightened as the program has grown significantly in both the number of projects and funds spent since 2005.

In addition to the growth shown in Figure 2.2, and according to WRI's records, the program has spent a cumulative total of over $240 million on a variety of projects within the state. For a program that has grown as significantly as WRI has over the last 13 years, we believe formalized guidance would benefit the program moving forward.

Reporting of WRI Information Can Improve

Since the WRI program consists of many state, federal, non-government, and private funds, it is imperative the program is clear with how it is funded and how monies are spent. The Legislature can see the funds they appropriate to the program, which accounted for

$6.8 million in fiscal year 2018. However, WRI does not make easily accessible the larger portion, the annual funding the program receives from partners (nearly $33 million in fiscal year 2018). To better communicate the size and leveraging success of the program, WRI should report the following:

- The program's total annual resources, including partner funds
- State funding used to leverage non-state partner resources
- All administrative costs of the program, which, for personnel-only costs, totaled nearly $744,000 in fiscal year 2018

WRI should report this information to the Legislature to help them better understand the full size and impact of the program. It should be noted that WRI's website[8] provides great detail on individual projects. Our concern is that annual financial details are hard to find on the website.

Funds Collected by WRI for Projects Should Be Readily Available to the Legislature

WRI has been successful at leveraging more federal and other dollars for in-state projects over the last five years. These leveraged funds are a sign that the program is providing value for its partners. However, this information is not easily accessible on the website and is not regularly presented to the Legislature on an annual basis.

WRI has not regularly reported partner funding, which accounted for nearly $33 million in fiscal year 2018, to the Legislature.

The Legislature provides funding each year to WRI from the state's General Fund, restricted accounts, and dedicated credits. These funds, totaling nearly $6.8 million, are annually reported to the Legislature. However, WRI's large amounts of partner funds are not regularly reported to the Legislature. A comparison of these funds is shown in in Figure 2.3.

[8] WRI's website can be found at https://wri.utah.gov.

Figure 2.3 Only Funding Appropriated by the Legislature is Easily Accessible for the Legislature to View. WRI should make partner funding more accessible to help the Legislature understand the full funding available to the program.

WRI Funding Reported Through COBI	2018 Partner Funding Not Presented to the Legislature
• $3.7 million from the General Fund • $2.0 million from the Sovereign Lands Restricted Account • $572,000 from carry forward monies from the prior year • $500,000 from dedicated credits	• $16.0 million from federal partners • $12.1 million from state partners, including $2.8 from other state restricted accounts • $4.7 million from private and other partners
Total Reported: $6.8 million	**Total Partner Funds: $32.7 million**

Source: Legislative Fiscal Analyst Compendium of Budget Information for fiscal year 2018 and WRI data

In addition to not regularly presenting partner funding to the Legislature, WRI's website does not show annual funding amounts from year to year. For example, WRI's website provides good detail for individual projects, including project funding, partners, and year of completion. However, the website does not provide aggregated partner funding that can be easily viewed by the Legislature or public. Instead, this information can be retrieved from the website by filtering, exporting, and calculating totals.

Although the Legislature may not regularly request information related to WRI's full funding, we believe that by not having easy access to this information, the Legislature may have a drastically incomplete idea about the size and growth of the program. We, therefore, recommend WRI report this information regularly to the Legislature or make it easily accessible on its website.

WRI has done well to leverage other funds for in-state projects; however, because WRI has not reported its full funding, the Legislature has a drastically incomplete idea of the size of the program.

WRI Should More Clearly Report Its Matched Funds

To show its impact, WRI reports that it has achieved a 5:1 programmatic match from its partners. Although not wrong, this number does not accurately reflect the role of state funds in that match. For example, WRI's ratio uses only appropriated funds to match all other funds (including funds contributed from other state agencies and restricted accounts). However, because WRI seeks to leverage nonstate funds for in-state projects, we believe state funds should be included in the original investment. Figure 2.4 shows that using state funds to leverage other funds yields a ratio closer to 1:1.

Figure 2.4 To Better Account for Nonstate Funds it Leverages, WRI's Leveraging Ratio Should Include All State Funds to Be Matched. Calculated in this way, WRI's ability to leverage funds is closer to a 1:1 ratio.

	Ratio	2014	2015	2016	2017	2018
WRI's Ratio Matching Some State Funds	1:	4.09	4.29	4.80	6.68	5.27
WRI Ratio Matching All State Funds	1:	0.46	0.62	0.78	1.27	0.84

Source: Auditor calculated with WRI data

In addition to its current funding ratio, WRI should also report funds that were leveraged using state funds for matching.

Using WRI's leveraging methodology, we show that in 2018 WRI yielded a nearly 5:1 return, or $5 matched for every $1 the Legislature appropriated. However, by including all state funds to be matched, we calculated nearly a 1:1 ratio. By reflecting its outcomes in this way, WRI can better show how its efforts, and Utah's taxpayer funds, are drawing other monies into the state for conservation and restoration work.

WRI Should Report the Program's Full Administrative Costs

Finally, WRI should report the full costs required to manage the program. DNR explained to us that each partner contributes some resources for participating in the WRI program. However, WRI and other DNR personnel carry the bulk of the cost of administering the program, including for other partners. Additionally, we reviewed WRI's reported personnel costs and believe it to be incomplete.

WRI should report its full administrative costs, a burden the program assumes as it coordinates projects for federal and private partners.

For example, in fiscal year 2018, WRI reported that the program spent nearly $182,500 for personnel services. However, we analyzed the salaries and benefits of persons working within the WRI program and found the salaries and benefits alone to be approximately $744,000.[9] As these costs are not the full administrative cost of the program, we recommend WRI calculate and report the full costs of administering the program to the Legislature. Doing so will help the Legislature make decisions related to funding WRI in the future.

[9] This personnel cost calculation is a conservative estimate and includes only the salary and benefits of the 13 DNR staff who work on WRI projects. This number was calculated as a percentage of time that DNR staff work on WRI projects.

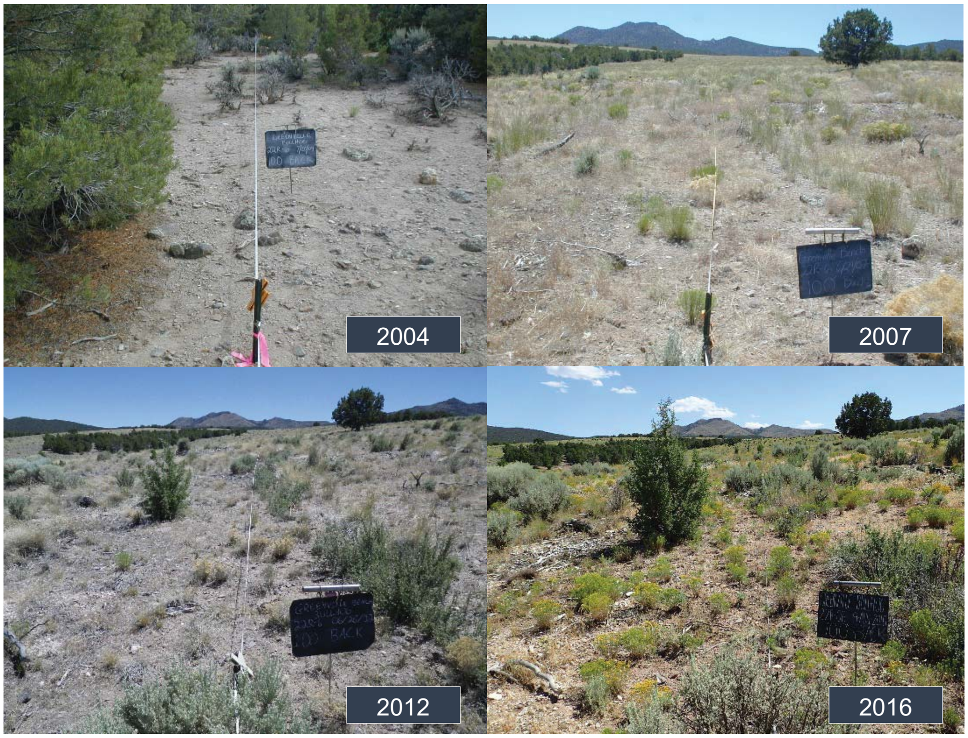
WRI Impact Is Difficult to Measure, But Better Tracking Is Possible

Although the program continues to monitor its progress in affecting the state's watersheds, tracking annual improvements is difficult to do. This difficulty stems, in part, from the reality that while performance metrics are often tracked annually, improving a landscape should be viewed from a long-term perspective. WRI has three stated objectives that have remained unchanged since the program's creation. However, these objectives have been difficult to quantify. To better demonstrate its short-term impact, WRI should set clear goals that are measurable and targets that drive performance. The program should also measure long-term impacts by using other DNR resources, including research, to track program outcomes and effectiveness. While WRI appears to be doing positive work, the program should improve its ability to demonstrate its impact.

WRI Should Improve Tracking and Better Report Long-Term Success

WRI has struggled in some ways to measure its impact. Long-term monitoring of efforts to improve watershed health can be both difficult and expensive. This is because of the time required for a watershed to respond to a seeding effort or other "treatment." As an example of the timing required to measure long-term success, Figure 2.5 shows WRI's work on certain parcels of land spanning several years.

Figure 2.5 Determining the Impact of Treatments on a Landscape Often Takes Several Years. The costs of monitoring these impacts can also be very expensive.



Source: Pictures provided by DNR. DNR's work on this parcel of land in Southern Utah includes clearing undesired trees, seeding, and monitoring the number of plants per acre.

Figure 2.5 illustrates effort to remove pinyon-juniper trees and seed new plants to a Southern Utah landscape. It has taken over 10 years for the landscape to respond, as shown in these pictures taken between 2004 and 2016. While time and resources are clear constraints hindering the program's ability to evaluate some of its effectiveness, WRI can make changes to better measure its impact on Utah's watersheds.

WRI reports that measuring its impact is difficult, as it can take many years for a watershed to respond to treatments. However, WRI should balance the complexity of measuring a landscape with the need to demonstrate its overall impact.

The WRI website outlines the three objectives of the program. These objectives are:

> to improve watershed health and biological diversity, water quality and yield, and opportunities for sustainable uses of natural resources.

These broad objectives have proven difficult for WRI to quantify. To overcome this challenge, WRI should implement the practices discussed in the remainder of this section. WRI's efforts to do so will help the program balance the complexity of measuring a landscape with the need to demonstrate its overall impact.

DNR Should Set Clear, Measurable Program Objectives

Some metrics that WRI tracks lack meaning and do not sufficiently show program impact.

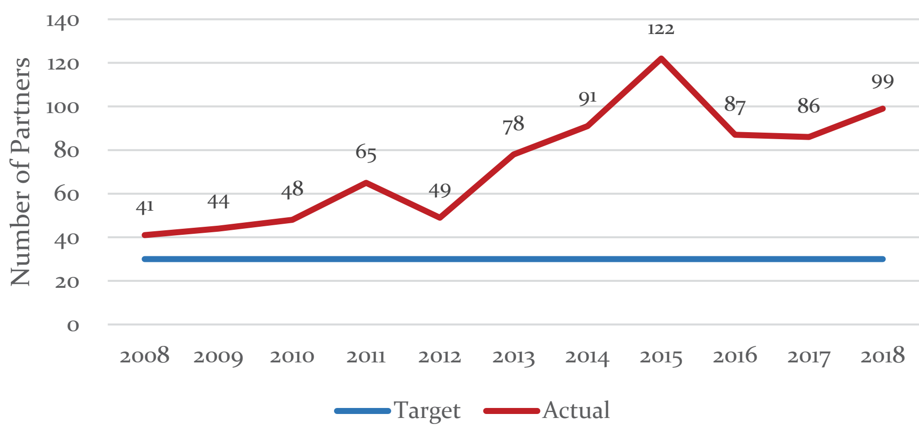
To promote accountability, program objectives should be measurable.[10] For example, one of the seven goals WRI reported to the Legislature was to track the number of acres treated. However, *acres treated* is vague and lacks context. A better metric would be one that sets targets for improvement each year. Though annual improvements might be small, they can still be quantified. Other examples include the following:

- Texas reported that "instead of setting a goal to improve water quality, a more specific goal might be to reduce phosphorus loading in your watershed by 25 percent."
- The U.S. Environmental Protection Agency suggests that metrics include "a measurable parameter, a measure of change, and a timeframe." They suggested as an example a metric of "12 [percent] of the community reports an increase in awareness of watershed issues over a three-month period."

Currently, some metrics WRI tracks lack meaning. Additionally, while some metrics do not appear to be driving outcomes, five of seven targets have not changed in over 10 years. Figure 2.6 provides an example of one of the metrics with a target that has not changed since 2008.

[10] In *Best Practices for Good Management*, a document released by our office, we define goals as "broad statements of long-range purposes, qualitative but not yet quantified." We define objectives as "clear targets for specific action; specific, quantified, time-based statements of desired outcomes…must be realistic and attainable."

Figure 2.6 WRI Reports on the Number of Partners That Contributed Funding in Fiscal Year 2018. However, the target (30 partners) does not appear to drive WRI performance and has not changed in over 10 years.



Source: WRI fiscal year 2018 performance metrics data.

WRI has other metrics with targets that are not adjusted and do not appear to drive program performance.

As the figure shows, WRI has made steady improvements in gaining new partners. However, WRI has not adjusted its target to drive performance in 10 years. Conversely, the Idaho Department of Fish and Game, which is not a watershed restoration program, provides an example of a target that drives its program's performance. Setting a high target for elk and deer populations to meet its objectives in 2014, Idaho's goal is ambitious and appears to be driving the department's performance from year to year.

DNR should set WRI's performance metrics to encourage the program to become more efficient and to improve operations annually.

Successful state entities we audit are often those that select targets that drive performance from year to year. WRI's targets, in like manner, should drive the program's performance as it fulfills its objectives. We recommend DNR set WRI's performance metrics with targets that encourage the program to become more efficient and to annually improve its operations.

WRI Should Use Other DNR Resources To Track its Effectiveness

In addition to metrics DNR can track from year to year, WRI should also demonstrate its impact over time. This is especially important as the program has spent approximately $240 million since it was created. Research currently being performed in other areas at DNR may help, or continue to help, WRI to measure its effectiveness in improving water, habitat, and species over a long-term perspective.

DNR research currently being conducted that may help WRI better demonstrate its impact includes the following:

WRI can demonstrate its impact over time by utilizing research already being performed in other areas within DNR.

- **Division of Wildlife Resources RangeTrend.** This research program seeks to understand vegetation trends under varying conditions. Staff monitor research sites to determine what changes occur over time. The program is reportedly already coordinating with WRI. However, as more information becomes available, we believe WRI should use this information to demonstrate its long-term impact in affecting vegetation on Utah's watersheds.
- **Division of Wildlife Resources: Migration Initiative (MI).** In 2017, DWR began work to identify, through GPS tracking and monitoring, how Utah's wildlife uses the landscape. MI's goal is to use this data to determine what treatments positively affect migratory patterns, mostly for big game. MI believes this information could benefit WRI in measuring how it has impacted wildlife using the watershed.

Using research already being performed by DNR staff may help WRI to demonstrate its long-term impact. We believe that until the program can better verify its impact, the Legislature will be unable to fully determine the program's value to the state.

Recommendations within this chapter will help the program to improve and better demonstrate its impact within the state.

WRI is a unique program and appears to provide value to the state in conserving and restoring the state's watershed to a healthy state. However, WRI's full impact is still unknown. With stronger governance, reporting, and performance tracking, the program will be in a better position to identify its impact on the state.

Recommendations

1. We recommend the Legislature consider codifying in statute the mission and oversight structure for the Watershed Restoration Initiative.
2. We recommend the Department of Natural Resources create and adopt policies and procedures that provide guidance for the Watershed Restoration Initiative.

3. We recommend the Department of Natural Resources report all partner funds, along with the state funds used to leverage all other funds.

4. We recommend the Department of Natural Resources provide regular reports to the Legislature on the administrative costs of operating the Watershed Restoration program.

5. We recommend the Department of Natural Resources set clear objectives that are measurable and targets that encourage program improvement.

6. We recommend the Department of Natural Resources measure the long-term impact of the Watershed Restoration program by using research already occurring within the department.

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Chapter III
DNR's Internal Audit Lacks Sufficient Independence and Effectiveness

The internal audit function of the Department of Natural Resources' (DNR) lacks auditor independence. In conflict with both state statute and audit standards, one individual acts as both financial director and internal audit director. For 26 years, DNR has failed to implement the state auditor's recommendation to separate these duties and promote auditor independence.

DNR should ensure that its internal audit function is sufficiently independent, complies with statute and audit standards, and is taking steps to become more effective.

Additionally, the internal audit function is noncompliant with other audit standards, and its audit effectiveness is limited. Specifically, internal audit does not conduct regular risk assessments or follow-up on prior findings, as required by audit standards. With DNR's few auditors, large budget, high number of full-time equivalents (FTE), and broad departmental mandate, we believe internal audit is currently unable to fully evaluate the risk at DNR.

Impairments to Audit Independence Have Existed for Many Years

The Utah Internal Audit Act requires DNR, along with other state entities,[11] to conduct internal audits independent of agency operations. Despite this requirement, DNR's audit director is also the department's finance director, which weakens auditor objectivity. Issues regarding the independence of this combined position are not new. The Office of the State Auditor has reported these concerns to the department at least four times since 1993. For 26 years, DNR has failed to implement the state auditor's recommendation to separate these duties. We believe that the position's importance to the organization and involvement with department operations continues to present independence issues.

[11] ***Utah Code*** 63I-5-201 directs that the following state departments and commission conduct audit work: the departments of Administrative Services, Agriculture, Commerce, Heritage and Arts, Corrections, Workforce Services, Environmental Quality, Health, Human Services, Natural Resources, Public Safety, Transportation, and the State Tax Commission. Institutions of higher education and other entities are also required under the act to establish internal audit programs.

State Auditors Have Identified Independence Issues Within DNR Internal Audit for Several Years

Despite requirements for independence, DNR's internal audit director is also the finance director.

The internal audit function is intended to examine the adequacy and effectiveness of internal controls and promote accountability within the organization. Despite requirements for independence in statute and in *Generally Accepted Government Auditing Standards*, DNR's internal audit director is also the finance director, creating impairments to auditor objectivity, independence, and accountability.

The Utah State Auditor's Office has highlighted its concern with DNR internal audit independence in several reports dating back to 1993. Recommendations to separate the responsibilities of internal audit director and finance director can be found in audit reports of DNR operations from 1993, 1998, 2006, and 2013. DNR's response to these audit recommendations has varied, with each of the last three responses included, as follows:

- **1998 Audit.** DNR believed the finding that its internal audit function lacks independence is inaccurate. DNR also stated that creating an independent internal audit function would be cost prohibitive and would not achieve the department's objectives.
- **2006 Audit.** DNR stated its desire to change the internal audit function to be more of a business consulting activity, thus making independence less of an issue.
- **2013 Audit.** DNR agreed that there was a perceived conflict of interest but expressed difficulty in finding the technical expertise required to audit complex issues within the department.

DNR has known about impairments within its internal audit function for 26 years.

For 26 years, DNR has failed to implement the state auditor's recommendation to separate these duties and promote auditor independence. We do not believe any explanation provided by DNR resulting from these reports justifies their lack of compliance with statute or auditing standards.

According to DNR, the department combined the internal audit function and the finance director's duties for two reasons: to leverage better division-level financial accountability and to provide for a more unified process among the divisions. DNR fusing these positions came in part, as we were told, because of how decentralized division processes are. Although this structure may have resolved some issues, the department should find a better standards-compliant structure moving forward.

Standards Require Auditor Independence, While Impairments Exist

Utah Code 63I-5-301 requires DNR to establish an internal audit presence by conducting audits and ensuring that

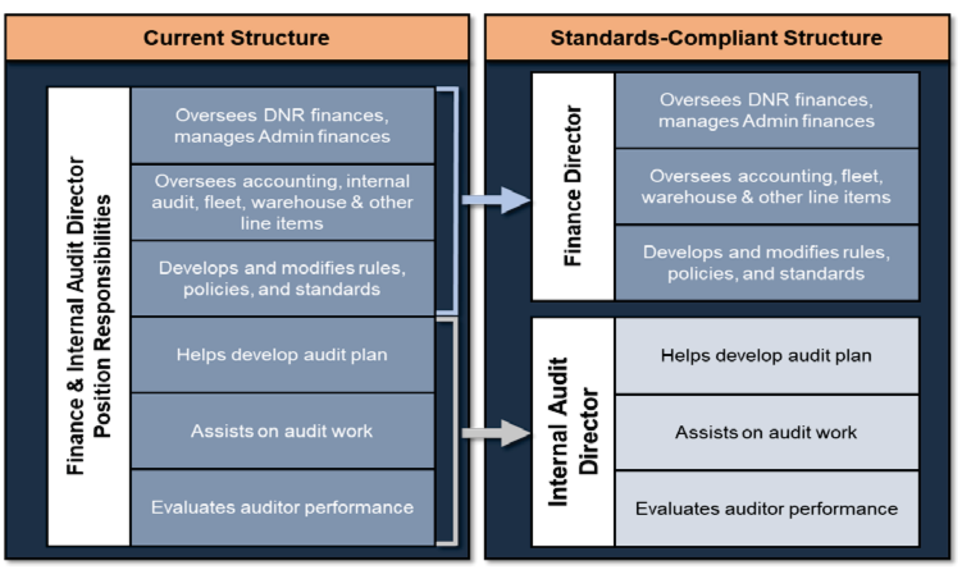
> ***internal audit staff are free of operational and management responsibilities that would impair their ability to make independent audits***

Statute further requires that internal audit programs follow established standards, which maintain independence as a foundational principle to auditing.

For example, according to standards outlined by the Government Accountability Office (GAO), the placement of the internal audit function within the reporting line of audited areas poses a threat to independence. Figure 3.1 illustrates how the internal audit and finance director positions are co-mingled and, therefore, out of compliance with standards that ensure independence.

The structural placement of internal audit with finance creates impairments that should be addressed.

Figure 3.1 Audit Director and Finance Director Duties Are Currently Combined. However, a standards-compliant structure would require internal auditors to be free of operational and management responsibilities.



Source: Auditor generated using DHRM job responsibilities for this position

Spending in areas under the audit and finance director totaled nearly $17.5 million in fiscal year 2018.

DNR should separate the duties of the audit director from those of the finance director, as shown in Figure 3.1. By doing so, the department would support objectivity and allow the audit director the ability to audit any area without bias or the perception of bias. This separation is also necessary because the audit and finance director position oversees several areas within DNR. These areas include Administration, Building Operations, Species Protection, Watershed Restoration Initiative, and pass through funding. Fiscal year 2018 spending in these areas totaled nearly $17.5 million.

The finance director also meets regularly with finance managers from each division. Although these managers do not report operationally to this individual, we are concerned that the finance director can influence finances while also acting in the capacity of the audit director. Because of this, our professional opinion is that the areas overseen by the individual in this dual position, along with some other areas within the department, cannot be objectively audited as long as the duties of internal audit director and finance director are combined. We recommend DNR strengthen auditor independence by separating these duties.

Internal Audit Has Not Performed Required Annual Risk Assessments

DNR's internal audit office is out of compliance with statute and standards because it did not develop an audit plan for more than two years prior to this audit. By not developing an audit plan, the office is either not continually monitoring for risk or not addressing it in a timely manner. The internal audit director should annually submit internal audit plans, with corresponding risk assessments, to the executive director or audit committee each year. We recommend internal audit develop annual audit plans based on findings from its risk assessments.

Internal audit should become compliant with statute by developing an annual audit plan.

Internal audit's monitoring and continual plans to review control weaknesses would help mitigate risks at DNR. Doing so would also help internal audit become compliant with statute. Utah's *Internal Audit Act* states:

The agency internal audit director shall develop audit plans . . . based on the findings of periodic risk assessments . . . to be conducted during each year

Audit standards produced by the Institute of Internal Auditors (IIA) also outline that these plans "must be based on a documented risk assessment,[12] undertaken at least annually." Audit plans are used to document auditors' identified or perceived risks and their plans to review them in the coming year.

By developing an audit plan, internal audit can better assess risks and address weak controls within the department.

Examples of potential departmental risks include the following:

- DNR's budget has increased 23 percent ($43.5 million) from fiscal year 2014 to 2018, and the state's Division of Finance issued 39 percent more purchasing cards to DNR employees from December 2014 to December 2018.
- The department also maintains the second-highest equipment value of all state agencies with nearly $43 million (discussed in Chapter V).

DNR's current internal audit function may be insufficient to address departmental risks. While the department has seen increases in its budget, FTEs, and purchasing cards over the last five years, internal audit has not performed regular risk assessments intended to identify risks at DNR. An explanation for why internal audit may be insufficient to address risks is that while it budgets for three staff auditors, the office has until recently only employed one auditor for more than a year. We recommend that internal audit report to DNR's executive director or audit committee and annually develop and report on its audit plans, based on findings from its risk assessments.

Internal Audit Has Not Performed Required Follow-Ups on Prior Findings

Internal audit has also not performed follow-ups on prior audit findings. This practice, required by audit standards and DNR policy, is intended to promote accountability among auditees and confirm the status of each recommendation. Among the seven internal audits we

[12] Risk assessment is a process aimed to proactively identify internal control weaknesses, the organization's vulnerability to internal and external risk, the potential for fraud, and other risks that an organization may encounter.

To improve audit effectiveness and to ensure accountability, DNR should follow up on prior audit recommendations.

reviewed, we found internal audit never followed up on recommendations intended to address variances in inventory and strengthen controls over finances. DNR is assuming risk for findings that remain unaddressed.

One IIA standard requires that audit findings communicated to management be fulfilled through a follow-up process. This follow-up activity is a control that promotes accountability to the auditee and ensures recommendations are implemented, or that the risks of not implementing them are considered. The IIA standard states:

> ***[The internal audit director] must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.***

Although internal audit is not statutorily required to follow this standard, we believe it is a good audit practice for reasons previously explained. Regardless, DNR's internal audit policy states that "a follow up audit will be scheduled" after audits are conducted. However, we could not document that any follow-up meetings have occurred. The audit director explained that internal audit used to perform follow-up on recommendations long ago but mentioned limited staffing as one reason for ending the practice.

We sampled seven audits from calendar years 2014 to 2018 with significant findings and recommendations that were never followed up with. Examples of these findings are found in Figure 3.2.

Figure 3.2 Of Seven Sampled Internal Audit Reports Spanning Five Years, We Found Important Recommendations for Which Auditors Did Not Follow-Up. These findings include variances in inventory book values and weaknesses in accounting controls.

Sampled Audit	Findings Without Follow-Up
Audit A	Found an 11 percent variance in the inventory ending book value and inconsistency in asset tracking. Recommendations were made to fix accounting inconsistencies.
Audit B	Found 24 employees received per diem even though they did not qualify for it, while others were reimbursed without receipts. Recommended reimbursements should not be processed until full documentation is submitted.
Audit C	Found inventory that did not match records, weaknesses regarding segregation of duties, and issues with unsecure assets. Recommendations were made to strengthen controls.

Source: A sample of DNR audit recommendations reported by the internal audit office from fiscal year 2014 to 2018.

Of the seven internal audit reports we reviewed, we found internal audit never followed up on recommendations intended to address variances in inventory and strengthen control weaknesses.

The department may be continually assuming compounded risks for which auditors have already identified but never followed up on. For example, in our review we found segregation of duty and asset-tracking weaknesses similar to those found in Audit C that are reported in Chapter V of this report. Risks can be either accepted or reduced by performing ongoing follow-up activities, as outlined in standards. We recommend the internal audit function ensure accountability by adopting an annual follow-up process to its audit procedures.

The department may be continually assuming risk in areas already identified by auditors that were never followed up on.

An explanation for why internal audit has not been effective at following up on prior audit recommendations could be its historically low staffing. From February 2018 until recently, only one internal auditor worked for the internal audit director, even though the budget could support three full-time staff. Although no standard for sizing an internal audit function exists, we compared DNR's auditor count to the auditor counts of other state entities that are required to conduct audits under the Internal Audit Act. This analysis shows that DNR generally has fewer audit staff relative to its budget than other state entities. More information on this analysis can be found in Appendix E of this report.

Recommendations

1. We recommend the Department of Natural Resources strengthen internal auditor independence by separating the duties of the audit director and finance director.

2. We recommend the internal audit director for the Department of Natural Resources report to the executive director or an audit committee and annually update the audit plan that is reviewed and approved by management.

3. We recommend the Department of Natural Resources' internal audit function ensure accountability by including an annual follow-up process in its audit procedures.

Chapter IV
Like Similar Entities in Other States, DWR Could Become More Self-Funded

In 2018, the Division of Wildlife Resources (DWR) received $7.9 million from the state's General Fund. Like four similar entities in other western states, DWR could work toward becoming more self-funded by working with the Legislature and charging more for nonresident fishing licenses, premium and nonpremium hunting applications, and high-volume hunting permits. The division could also look at increasing resident application fees for premium hunts.

This chapter addresses fees that DWR could assess or increase to become more self-funded.

In addition, DNR does not charge non-residents a fee to help pay for the state's Aquatic Invasive Species program (AIS). However, when Utah residents register their boats, they are charged a $10 fee that helps fund the program. Non-residents pose a significant risk for bringing aquatic invasive species to Utah; in 2018, more than 26,000 nonresident boats visited Utah lakes. At least seven other western states charge an aquatic invasive species fee to both residents and nonresidents.

DWR officials report that they do have some responsibilities that fees cannot be used towards. We also recognize that fees charged is an important issue that must weigh the financial benefit along with competing interests such as tourism and other policy considerations. Our recommendation, therefore, is for the Legislature to consider the policy implications of DWR becoming more self-sufficient.

DWR Could Become More Self-Funded By Raising Nonresident Fees

DWR has the potential to become less dependent on General Fund appropriations. In 2017 and 2018, DWR received $6.3 million and $7.9 million, respectively, from the General Fund. Colorado, Idaho, Montana, and Wyoming's wildlife divisions are all self-funded and receive no money from their state's general fund. DWR could increase the costs of nonresident fishing licenses, premium hunt applications, and high-volume hunting permits which would help it become more self-funded. Increasing the fees/permits would help DWR work toward becoming more self-funded.

DNR received nearly $8 million in General Fund appropriations in 2018. The division could work towards becoming more self-funded like similar entities in other western states.

Increasing Wildlife Nonresident Fees Could Reduce General Fund Appropriation

DWR received $7.9 million in General Fund appropriations in 2018. This amount could be reduced if DWR raised the amount of some nonresident fees, making these fees similar to those charged by other western states. We recommend the Legislature consider requiring that DWR work towards becoming more self-funded by increasing some fees discussed in this chapter. For example, Figure 4.1 shows some revenue that could be achieved were some fees assessed or increased.

Figure 4.1 DWR Could Become More Self-Funded by Aligning Its Fees with Those of Other Western States. DWR could achieve between $6.9 and $9.4 million were the Legislature to increase some fees.

DWR Action to Align With Other Western States	Who Is Impacted?	Range of Potential Revenue	
		Low	High
Increasing fishing license fees	Nonresidents	$3.45 million	$4.29 million
Increasing application fees for four popular hunts	Nonresidents	75,100	375,300
Increasing application fees for five premium hunts	Nonresidents	1.80 million	2.27 million
	Residents	502,000	502,000
Increasing the fee on high volume permits	Nonresident	634,800	634,800
Charging an aquatic species fee	Nonresidents	398,900	1.33 million
Total Potential Revenues		**$6.9 million**	**$9.4 million**

Source: Auditor estimate

By increasing existing fees and assessing new fees, to align with amounts charged by other western states, Utah could increase its revenue by an estimated $6.9 million.

As the figure shows, fee adjustments could potentially increase DWR's budget by nearly $6 million. We fully realize that fee increases could potentially lead to fewer applications, licenses, and nonresident visitors to the state. However, the estimates provided in Figure 4.1 are merely intended to communicate potential revenue were Utah to adopt or adjust fee amounts to those in other western states. It should also be noted that DWR has some responsibilities for nongame species.

Fees for Nonresident Fishing Licenses Are Lower Than Those Charged by Other Western States

Utah charges nonresidents a $75 fee for a one-year fishing license. Before 2002, the fee was $46. It was $70 from 2003 to 2014 and was raised to $75 in 2015. Even though nonresidents are charged a $75 fee for an annual fishing license, the amount DWR charges nonresidents is significantly lower than what other states charge as shown in Figure 4.2.

Figure 4.2 Utah Charges Less Than Other Western States for a Nonresident Fishing License. Compared to the next-lowest total license cost, Utah is 30 percent lower than the next closest state.

State	License Fee	Conservation Fee	AIS Fee	Total
CO	$95.00	$11.75	*	$106.75
ID	98.25	10.00	*	108.25
MT	86.00	10.00	15.00	111.00
UT	**75.00**	**-**	*	**75.00**
WY	102.00	12.50	*	114.50

Source: Auditor generated
**AIS is the invasive species program in Montana. In other states, the fee is assessed via an AIS sticker or via boat registration.*

In 2019, Colorado raised the cost of their nonresident fishing license from $55 to $95, although this amount does not include the required conservation fee of $11.75. Colorado's total license cost, which is the lowest of the four states we reviewed in Figure 4.2, is 30 percent higher than that of Utah.

Utah's nonresident fishing license fees are significantly lower than fees in other western states.

Figure 4.3 shows the potential revenue that could be realized by increasing the cost of fishing licenses for nonresidents. DWR should determine an appropriate increase that will not negatively impact the number of anglers visiting the state.

Figure 4.3 By Increasing the Cost of Fishing Licenses for Nonresidents, DWR Could Work Toward Becoming More Self-Sustaining. We determined the potential revenue by subtracting Utah's rate from the fee each other state charges and then multiplying this amount by the number of nonresident fishing licenses sold in 2018 (108,782).

State	Difference in License Costs*	Potential Revenue Increase
Colorado	$31.75	$3,453,829
Idaho	33.25	3,617,002
Montana	36.00	3,916,152
Wyoming	39.50	4,296,889

Source: Auditor generated
**Fee increase = other state - Utah*

Utah could increase revenues in excess of $3.5 million were they to match fees other western states charge to nonresidents.

Raising the cost of nonresident licenses could increase DNR's revenue by $3.5 million to $4.4 million. Increasing the nonresident fishing license fee would help move DWR toward becoming more self-funded.

Nonresident Big Game Applications And Permit Fees Could Be Increased

In addition to adjusting fishing license fees, DWR should also consider adjusting hunting application fees. For example, the division could increase nonresident fees for hunts with the highest volume of applications,[13] application fees for premium hunts,[14] or a combination of the two. Also, the division could raise the application fee on premium hunts for residents. Lastly, DWR could raise the permit fee for specific hunts that have high permit counts.

DWR Should Review Whether to Increase the Nonresident Nonpremium Application Fee. DWR has set the application fee for both residents and nonresidents at $10 for premium and non-premium hunts. This amount could be adjusted to increase revenue for the division. We found that surrounding states, such as Wyoming and Idaho, charge nonresidents application fees of $14.75 and $15.00, respectively. Figure 4.4 shows the potential revenues that could have been realized by increasing the application fee for nonresidents hunters over the last five years.

[13] Submitting an application for each hunt makes the applicant eligible for drawing a permit for that hunt.

[14] Premium hunts include the following species: Desert bighorn sheep, rocky mountain bighorn sheep, bison, moose, rocky mountain goat

Figure 4.4 DWR Revenue Could Increase by $75,000 or More Were Adjustments Made to Four Popular Nonresident Hunts in Utah. The five-year (2014-18) average of nonresident applications for four hunts was 75,069. By increasing the application fee for nonresidents, DWR could gain additional funds toward becoming a more self-funded division.

Fee Increase	Potential Revenue Increase
$1	$75,069
2	150,138
3	225,207
4	300,276
5	375,345

Source: Auditor generated

**The four hunts include general buck deer, limited bull elk, limited entry buck deer, and limited-entry buck pronghorn.*

Increasing nonresident application fees for non-premium hunts could lead to additional revenues ranging from $75,000 to $375,000.

Over the last five years, the number of applications for these hunts has been steadily increasing. If the Legislature instructs DWR to be more self-sustaining, increasing the application fee for these popular hunts would help move DWR toward reaching that goal.

DWR Should Review Whether to Increase the Nonresident Premium Application Fee. Another option for DWR to consider is raising the nonresident application fee for premium hunts. These premium hunts include the following species:

- Desert bighorn sheep
- Rocky Mountain bighorn sheep
- Bison
- Moose
- Rocky Mountain goat

By increasing nonresident application fees for premium hunts, Utah could receive an estimated $1.8 million in additional revenues.

Figure 4.5 shows the potential revenue increase by raising the application fee for premium hunts. Both Idaho and Montana charge nonresidents a higher application fee for their premium hunts than Utah's rate. Idaho charges $41.75, and Montana charges $50.

Figure 4.5 Potential Revenue Could Have Increased At Least $1.8 Million Were Increases Made to Nonresident Application Fees for Five Premium Hunts*. The five-year (2014-18) average of nonresident applications for the five premium hunts was 56,817.

Fee Increase For Nonresidents**	Potential Revenue Increase
$31.75	$1,803,940
40.00	2,272,680

Source: Auditor generated
**These five hunts include desert bighorn sheep, Rocky Mountain bighorn sheep, bison, moose, and Rocky Mountain goat.*
*** Fee increase = other state - Utah*

As Figure 4.5 shows, Utah could gain between $1.8 million and $2.3 million by charging fees for premium hunts that align with the fees assessed by other states.

By increasing nonresident application fees for premium hunts, Utah could receive an estimated $1.8 million in additional revenues.

DWR Should Also Review Whether to Increase the Resident Premium Application Fee. Both Idaho and Montana charge their residents a higher application fee for premium hunts, whereas Utah residents are charged an application fee of $10, no matter the type of hunt. Idaho charges a premium application fee of $16.75 instead of the normal $6.25. Montana's fee increases from $5 to $10 for premium hunts. If DWR's residential fee for premium hunts was the same as Idaho's, the potential additional revenue would have exceeded $502,000.

DWR Should Review Whether to Increase the Nonresident Fee for High-Volume Permits. Additional revenue could be achieved by increasing the nonresident permit amount for the general buck deer hunt. In 2018, this hunt had 5,520 permits allocated for it, which was the highest number of nonresident permits of any hunt. By increasing the permit fee to the average cost of the other western states' fees, DWR could potentially receive an additional $635,000. As more hunts become popular, additional permit increases could be justified.

Nonresident Users of State Resources Could Help Cover AIS Costs

In 2012, aquatic invasive species were detected in Lake Powell. As a result, DWR's Aquatic Invasive Species program (AIS) has increased its efforts in trying to contain the spread of invasive species to other regions of the state. Although DWR does not charge nonresidents an

AIS fee for boating in Utah, residents pay an annual fee of $10 (beginning in 2017) when they register their boats. In fiscal year 2018, a total of $661,360 was collected from Utah boaters to fund a portion of the AIS program.

During the 2019 General Legislative Session, the boater registration fee was increased from $25 to $40. The purpose of this increase was to help pay for additional equipment and personnel costs at Lake Powell dealing with the inspections and decontamination of invasive species from watercraft. DWR administers the AIS program, while the Tax Commission assesses the fee that is charged to Utah residents through boater registrations.

In 2019, DWR requested $405,000 for the Aquatic Invasive Species program, which is intended to prevent the spread of non-native species in Utah waters.

DNR Could Charge Nonresidents an AIS Fee

Unlike other western states, Utah does not charge nonresidents a fee to help pay for the administration of the AIS program. In 2018, over 26,000 out-of-state boaters visited Utah, with 64 percent of those boaters visiting Lake Powell. During the 2019 General Legislative Session, DNR requested an additional $405,000 for equipment and personnel for operations at Lake Powell to help contain AIS on that lake. Nonresidents pose an equal threat to spreading invasive species and, in our opinion, should help fund the containment effort.

Utah is the only state we reviewed that does not charge nonresidents for its AIS program.

Among the states we researched, Utah is the only state that does not charge nonresidents a fee for its AIS program. Figure 4.6 shows seven western states that charge nonresidents a fee to help pay for the inspection and decontamination of AIS.

Figure 4.6 Unlike Other Western States, Utah Does Not Charge a Nonresident Fee to Help Pay for the AIS Program. In six of seven western states, nonresidents pay higher AIS fees than residents.

States	Invasive Species Resident Fees	Invasive Species Nonresident Fees
Utah	$10	--
Colorado	25	$50
Idaho	10	30
Montana	2	15
Nevada	12	12
Oregon	5	20
Washington	2	22
Wyoming*	10	30

Source: Auditor generated
**Wyoming also has a $15 fee for nonmotorized boats.*

Montana charges higher fees to nonresidents because they are believed to pose a bigger risk of bringing invasive species into the state.

Of the states we reviewed, only Montana assesses the AIS fee through its fishing licenses; all other states require nonresidents to purchase an AIS sticker or make a payment when registering watercraft. According to a state official, Montana charges a higher fee to nonresidents because they pose the most risk for bringing invasive species into their state. Nevada is the only state where residents and nonresidents pay the same amount.

Figure 4.7 shows the potential revenue that DWR could generate by charging nonresidents a fee when boating on Utah waters. This potential revenue could provide additional funding for the AIS program or reduce General Fund revenues the Legislature appropriates to the program.

Figure 4.7 Utah Could Increase Funding for the AIS Program by Charging Nonresidents a Fee. Comparing fee amount ranges from surrounding states with the boater count of nonresidents (26,594) who visited the state in 2018, Utah has the potential of increasing funding for the AIS program.

Potential Fee Amount	Potential Funding
$15	$ 398,910
20	531,880
25	664,850
30	797,820
50	1,329,700

Source: Auditor generated

In line with other western states, Utah could charge nonresidents anywhere from between $15 to $50, as shown in Figure 4.7. With the potential for $1.3 million in additional funding, DWR may not need to request additional funds from the Legislature in some years.

Charging nonresidents a fee for AIS, at levels other states charge, could add up to $1.3 million in revenue and reduce DWR's need for General Fund appropriations.

Aquatic Invasive Species Are a Known Risk

One aquatic invasive species, known as the quagga mussel, was detected at Lake Powell in 2012. There is no known method for eradicating this invasive species from a lake once it is infested. These mussels were first discovered in the United States in the Great Lakes region in 1988; from there, they have since spread throughout the eastern and western states. In 2007, the quagga mussel was discovered in Lake Mead. As shown in Figure 4.8, quagga mussels proliferate quickly in just a short time.

Figure 4.8 The Effects of the Quagga Mussel at Lake Mead, Nevada. This picture shows the effects of the damage the quagga mussel can do over six months.

Source: Provided by DWR

The effects of the quagga mussel can be devastating. To reduce the risk of quagga mussel infestations, Utah requires boaters to self-certify that their boats are free from invasive species. The state also requires boaters to either take an online self-certification course or complete a day-use form found at many boat launches. Wyoming, Idaho, and Colorado require boaters to purchase an AIS sticker. In addition, all boats must stop at inspection stations when boating in these states.

Utah's AIS inspectors have stopped more than 120 mussel-infested boats, preventing the spread to other Utah water ways.

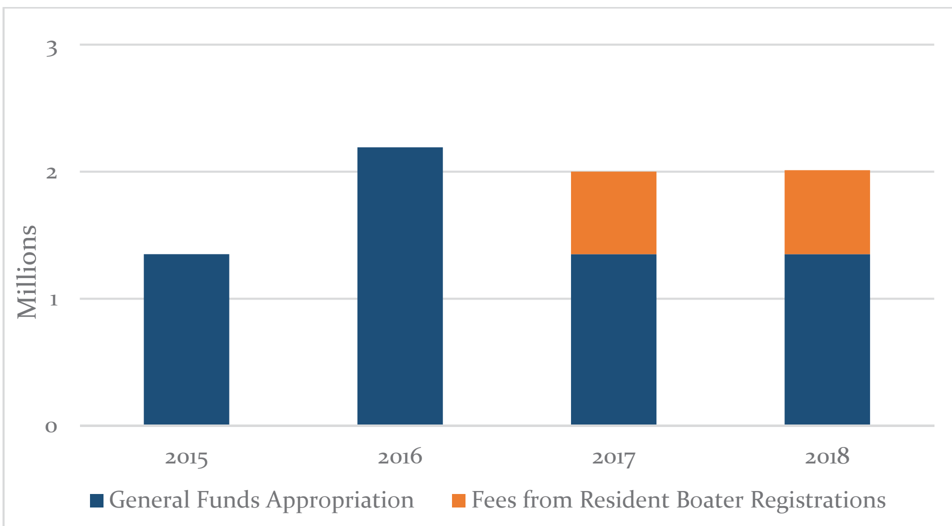
In 2018, Utah's AIS inspectors have stopped more than 120 mussel-infested boats, most of which have visited Lake Powell, from launching at other Utah lakes. Also, more than 100 mussel-infested boats have been quarantined. According to an AIS official, if you boat at Lake Powell, it is very likely your boat will have quagga mussels on it. DWR manages AIS inspection stations with mandatory stations placed at Fish Lake, Panguitch Lake and Joes Valley Reservoir. DWR has 44 AIS inspection stations throughout the state, with most of them operating from early spring to late fall.

Majority of AIS Funding Is from the General Fund

Prior to 2017, all AIS funding came from the General Fund. Now AIS fees from residents help to supplement the program.

Most of the funding for the AIS program comes from the General Fund. In fiscal years 2015 and 2016, the General Fund provided all AIS funding. The residential AIS fee was not imposed until 2017. In fiscal year 2018, 64 percent of AIS funding came from the General Fund. Figure 4.9 shows funding for the AIS program since 2015.

Figure 4.9 Since 2015, Total Funding for the AIS Program Has Come from General Fund Appropriations and Boater Fees. The total budget for the AIS program has been just over $2 million since 2016.



Source: Auditor generated

With the inevitability that aquatic invasive species will spread to more Utah lakes and rivers, the cost of funding the program will continue to increase. As mentioned earlier in the chapter, DNR requested additional AIS funding ($405,000) during the 2019 General Legislative Session. Utah boaters are already paying a fee to help fund the AIS program, and nonresidents who use lakes in Utah could also help fund the AIS program.

Recommendations

1. We recommend the Legislature consider having the Division of Wildlife Resources work towards becoming more self-funded.

2. We recommend the Wildlife Board review nonresident fees and report to the Legislature on which fees could be increased.

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Chapter V
DNR Should Improve Its Oversight of Division Assets

The Department of Natural Resources (DNR) has the second-highest number and value of assets among all departments within the state. However, divisions we reviewed at DNR are not sufficiently protecting equipment assets within their custody. We found the following issues:

- Insufficient segregation of duties puts much of DNR's equipment at risk.
- One division had missing assets, and the asset tracking records of multiple divisions were inadequate.

We conducted a general review of the asset management controls in DNR's divisions. Our risk assessment focused on two specific divisions and found asset tracking processes for the Division of Parks and Recreation (Parks) and the Division of Forestry, Fire and State Lands (FFSL) to be insufficient. Department oversight of asset-accounting processes within each division should be improved to protect state assets. We therefore recommend that DNR adopt stronger policies and that divisions do better at managing assets in their custody.

This chapter reports on areas where DNR management of state assets are weak and discusses how they should be strengthened to prevent loss.

DNR's Assets Are at Risk Due To Insufficient Segregation of Duties

Our review of DNR divisions' asset management practices found that asset tracking procedures lack proper segregation of duties. Segregation of duties is a control intended to prevent an employee from both executing and concealing errors or fraud, in this case as the issue relates to asset management. We also found that, among all state agencies, DNR is responsible for the second-highest value of state equipment assets. Division of Finance policy requires all state entities to properly track capital assets and encourages entities to track noncapital, pilferable assets. Given the significant amount of state assets that DNR oversees, the department should take steps to protect assets by segregating duties of individuals who perform custodianship, purchasing, inventorying, and recordkeeping functions.

Divisions We Reviewed Lack Sufficient Segregation of Duties

We found areas where segregation of duties is weak and needs to be strengthened.

Our review of two DNR divisions found that both lack sufficient segregation of duties related to asset tracking. Segregation of duties is a critical internal control for safeguarding assets, and a lack of controls in this area could lead to wrongdoing and prevent an accurate accounting of assets. From our sampled locations, we found examples of inadequate segregation of duties controls in both the Parks division and FFSL division. These findings include the following:

- Managers who perform custodial responsibilities and keep records for the same assets
- Managers who authorize purchase, assume custody, and dispose of the same assets
- Individuals with custodial responsibilities over assets who are performing inventories of the same assets

Without proper controls, DNR divisions may lose state assets for which it never had records or never performed inventory checks.

With weak segregation of duties controls, an employee could authorize an item for purchase, fail to properly account for that item in the records, and then keep the item for personal use. If this were to happen, DNR would not even know division assets were missing. Although DNR policy does not mention segregation of duties, Division of Finance policy requires it. We found multiple instances where divisions are not following some policies related to segregation-of-duties outlined in Figure 5.1.

Figure 5.1 State Finance Policy Requires Segregation of Duties. Review of DNR divisions includes three segregation of duties policies.

Division of Finance Policy Requires Segregation of Duties in:

- Managing custodial activities and record keeping for the same assets
- Authorizing transactions and managing the custody or disposal of the related assets or records
- Performing inventory of assets over which they have custodial responsibilities

Source: Division of Finance policy FIACCT 20-00.00 and FIACCT 09-16.02

Division of Finance policy requires agencies to ensure that annual inventories of fixed assets are not performed by individuals with custodial and/or record keeping duties. Although we only reviewed two DNR divisions in detail, we believe that the problems we observed stem from DNR's insufficient guidance to all divisions.

Auditors Have Previously Reported Concerns Pertaining to Segregation of Duties. Comingling responsibilities listed in Figure 5.1, as some DNR divisions have done, creates a risk of asset loss and misuse. The Utah State Auditor's Office reported a similar issue when it reviewed asset inventory practices at the Division of Wildlife Resources (DWR) in 2018. Similar to what we found in Parks and FFSL, state auditors found that inventory procedures in DWR are typically performed by a person with custodial responsibilities over assets. In a report issued in 2014, DNR's internal audit office also identified these weaknesses. In light of these findings, we recommend DNR improve its policies and practices regarding segregation of duties to ensure that state assets under DNR's custody are protected.

Auditors have previously identified weaknesses in division's controls that continue to be an issue in some divisions we reviewed.

DNR Manages a Significant Value Of Assets That May Be at Risk

DNR oversees a substantial amount of state equipment assets. Among Utah government agencies, DNR is second only to the Department of Transportation in terms of the quantity and value of capital equipment assets it manages.

Capital Assets Include All Assets with Values of $5,000 and Above. Figure 5.2 shows that DNR's capital equipment assets make up 13 percent of the number of capital assets that Utah government agencies oversee.

We are concerned that DNR has weak controls over assets, especially considering that DNR has the second-highest value of capital assets among departments within the state.

Figure 5.2 DNR Oversees the Second-Highest Value of Capital Assets Under Management in the State. The total value of DNR capital assets is $42.7 million.

Department	Capital Asset Value	Value: % of State Assets	Asset Count	Count: % of State Assets
Dept. of Transportation	$177,463,898	45%	4,653	33%
Dept. of Natural Resources	**42,666,200**	**11**	**1,838**	**13**
Dept. of Technology Services	33,446,798	8	1,111	8
Dept. of Administrative Services	25,504,489	6	1,611	12
Dept. of Public Safety	22,317,649	6	851	6

Source: Division of Finance

Noncapital Assets Include Items with Values Below $5,000. DNR also manages a significant amount of non-capital equipment. DNR oversees at least $16.9 million in non-capital assets. Because asset records do not account for the value of all assets, we could not estimate the total value of all assets. Therefore, the actual value of noncapital assets is likely substantially higher than our estimate. Figure 5.3 highlights capital and non-capital asset values for each of DNR's divisions.

Because of incomplete records, we could not estimate the value of non-capital assets managed by some divisions.

Figure 5.3 The Value of Capital and Noncapital Assets Under DNR Management Exceeds $60 Million. The Division of Parks and Recreation has the highest value of assets, at over $37 million.

DNR Divisions	Capital	Noncapital (estimate)	Total
Administration	$57,302	***	**$57,302**
Forestry, Fire & State Lands	2,049,731	$1,500,000	**3,549,731**
Geological Survey	665,725	94,000	**759,725**
Oil, Gas & Mining	105,385	1,600,000	**1,705,385**
Parks & Recreation	28,177,812	**8,900,000	**37,077,812**
Wildlife Resources	11,289,766	*4,850,000	**16,139,766**
Water Rights	237,791	-	**237,791**
Water Resources	82,688	-	**82,688**
Total Value	**$42,666,200**	**$16,944,000**	**$59,610,200**

Source: DNR division-level asset managers
**Note: These totals are the result of conservative estimates. For example, the Division of Wildlife Resources asset list includes 11,000 non-capital assets. Of these assets, almost half (4,800) show no dollar value.*
***The estimate for Parks is also conservative. Its asset list contains almost 2,000 assets without a purchase price.*
****Administration, Water Rights, and Water Resources were unable to provide reports that include values for non-capital assets. Consequently, we were unable to calculate an accurate value of non-capital assets for these divisions. Note that DNR's policy does not require asset records to include a value for assets.*

With such a high value of capital and noncapital assets, DNR needs to implement proper controls that will safeguard state assets.

DNR Divisions Have Missing Assets and Poor Records

During our limited review, we found more than $35,000 in missing assets at the Division of Parks and Recreation. In addition, we found that individuals in charge of tracking assets at five divisions admitted their asset lists are not accurate or lack equipment values.

We visited six different locations within the Parks division's 49 facilities with assets. At five of these locations, we identified assets that were either missing or their location was unknown. Sixteen assets, with a total estimated value of $35,000, were missing. Although this is a relatively low dollar value, it is concerning that we found $35,000 in missing equipment during such a limited review. We believe the value of missing assets could be much larger with further review and in light of the following weaknesses we identified.

Our review of six locations within the Parks division's 49 locations, found $35,000 worth of missing assets.

DNR Divisions Are Not Performing Annual Inventories of Assets as Required by Policy. The two divisions that we reviewed, have not been tracking assets consistent with state and department policies. Regarding assets worth more than $5,000, Division of Finance policy 09-16.02 states:

> ***It shall be the responsibility of each state agency to conduct a complete physical inventory of all fixed assets annually . . .***

We found that annual asset inventories were not occurring, or were occurring infrequently, despite policy requiring them.

Despite this policy, we found annual asset inventories were either being completed infrequently or not at all. DNR policy also requires a yearly physical inventory of equipment assets worth between $200 and $4,999.

DNR Divisions Have Not Completed the Required the Annual Inventory of Assets. DNR's policy requires the department's finance director to verify that divisions are completing their annual inventory of assets. DNR policy states:

> ***Each division will be required to report the results of the annual inventory to [DNR's] Finance Director by January 31st of each year.***

Despite requirements to do so, DNR divisions have not reported the results of physical inventories to the department's finance director. DNR could not provide evidence that divisions have ever reported the results of these inventories. It is concerning that the department does not have any accounting of assets already in the custody of its divisions. Accordingly, the department needs to ensure its divisions are properly accounting for assets by performing an annual inventory of assets.

Divisions are required to report asset inventories each year to the division finance director. However, this has not been occurring.

It is also concerning that the finance director position is combined with the internal audit position, as discussed in Chapter III of this report. Having the two positions comingled creates a conflict and causes control weakness in the asset tracking process. We believe that controls would be strengthened by having divisions complete the required annual inventory of assets and reporting them to the finance director. Then, under a separate review, the internal audit function should audit the strength of these controls and the effectiveness of annual asset inventories.

Division Records Were Found to Be Inaccurate. Another reason assets could be missing is that divisions are not maintaining inventory lists, resulting in incomplete or inaccurate records. Of the eight DNR division managers with whom we spoke, five managers confirmed that their asset records were inaccurate. We also found that one division's list lacked asset value information for approximately half of its 11,000 assets. The DNR finance director should hold divisions responsible for the accuracy of their record keeping of assets.

Divisions also have not maintained asset inventory lists, with one division's list lacking values for over half of its 11,000 assets.

Given the sheer number and value of assets under DNR control, it is concerning that asset policies are not being followed or enforced. DNR needs to ensure that divisions are keeping their asset records up-to-date and accurate and that inventory controls are enforced.

Recommendations

1. We recommend the Department of Natural Resources strengthen controls to ensure individuals in charge of asset purchasing, custodianship, recordkeeping, and inventorying maintain proper segregation of duties.

2. We recommend the Department of Natural Resources divisions ensure assets (capital and noncapital) are appropriately tracked and recorded, records are kept up-to-date, and divisions report the results of annual inventories to the DNR finance director.

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Appendices

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Appendix A
Department of Natural Resources
Division Summaries and Fiscal Year 2018 Spending

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Appendix A

The mandates for each of DNR's divisions are distinct and vary greatly from one to another. The following is a brief overview of DNR's eight budgetary areas, their spending totals for fiscal year 2018 (in parentheses), and a brief description of their responsibilities.

Administration ($17.5 million): Provides ongoing coordination, protection, and management of Utah's natural resources. The division includes the Executive Director's Office, Finance and Internal Audit, and the Watershed Restoration Initiative, among others.

Forestry, Fire, and State Lands or FFSL ($36.5 million): Works to manage and strengthen Utah's forests, rangelands, and sovereign lands. The division is responsible to manage and suppress wildfire on Utah's state and private lands in cooperation with local governments.

Geological Survey or UGS ($7.6 million): Assists governments and the public by gathering, interpreting, and publishing geological information. As part of this effort, UGS provides remote access to data, publications, and maps.

Oil, Gas & Mining or DOGM ($10.4 million): Provides oversight of oil, gas, and mining activity within the state. It is the division's responsibility to inspect and ensure compliance with state laws and safe practices.

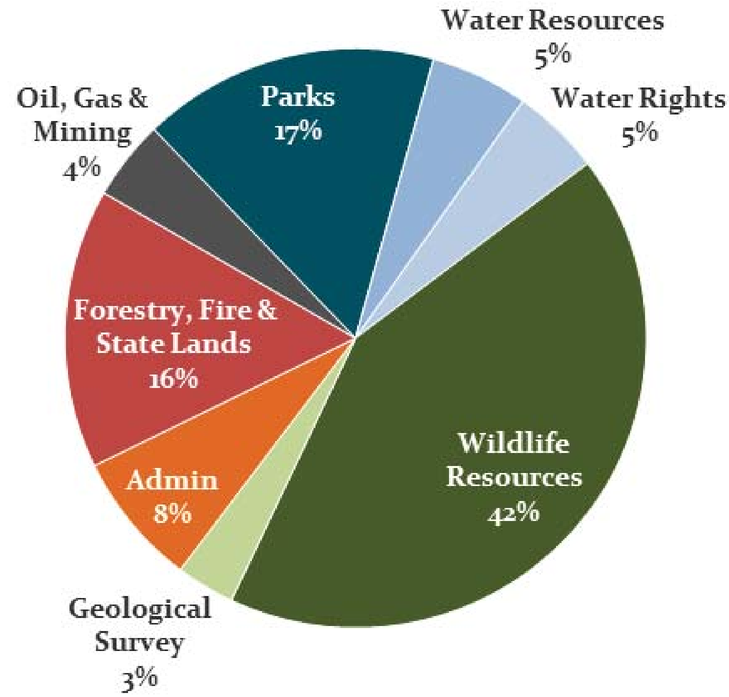
State Parks and Recreation ($38.6 million): Is tasked with preserving each of the 43 state parks. The division works to provide recreational resources and education to the millions of people who visit Utah's state parks each year.

Water Resources ($12.7 million): Works to conserve, develop, and protect Utah's water resources. The division maintains the State Water Plan and works with local water agencies, individuals, and other entities to implement water conservation initiatives.

Water Rights (**$11.6 million):** Administers the use of Utah's water by identifying rights and adjudicating uses of that water throughout the state. The division measures and records water use information to help determine water availability for the future.

Wildlife or DWR ($99.0 million): Acts as the state's trustee and guardian of Utah's wildlife. The division issues hunting and fishing licenses, operates fish hatcheries, and conducts ongoing research to understand wildlife migration and plant seeding treatments in Utah.

Figure A.1 DNR's Division Expenses for Fiscal Year 2018 Were a Combined $234 Million. DWR expended the largest portion of any division--42 percent of all department-wide spending.



Source: FINET expense data

Appendix B
DNR Restricted and Other Accounts

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Appendix B

Source: Restricted account information is summarized from information provided by the Office of the Legislative Fiscal Analyst's 2018 Compendium of Budget Information report. Fiscal year 2018 fund balances were provided by the Division of Finance. The information contained within Appendix B has not been audited for accuracy.

Agricultural Water Optimization Account (Fund 1135)

Statute:	***Utah Code*** 73-10g-204
Revenue Sources:	Appropriations and donations.
Expense Purpose:	Funds to be used to identify critical issues facing the state's long-term water supply.
2018 Fund Balance:	$0

Boating Account (Fund 1155)

Statute:	***Utah Code*** 73-18-22; 59-13-201
Revenue Sources:	Registration fees, donations, motor fuel tax, license fees for vessel operators. This fund includes fines imposed for violations of the State Boating Act. Courts collect the fines and deposit into this fund. Once a year, Finance moves 15% of these funds to the General Fund.
Expense Purpose:	Funds to be used for construction, improvement, operation and maintenance of publicly owned boating facilities, boater education, and administrative costs
2018 Fund Balance:	$2,762,646

Land Exchange Distribution Account (Fund 1335)

Statute:	***Utah Code*** 53C-3-202, -203, -Affected by 63I-1-253 on 7/1/2020 as to Geo Survey for Test Wells
Revenue Sources:	1) 50% of bonus payments received from the lease of coal, oil and gas, and coal bed methane on identified tracts, 2) 50% of rentals and royalties received from the lease of subject minerals on the acquired lands and the lease of acquired interest interests.
Expense Purpose:	To the Constitutional Defense Restricted Account, counties, the State Board of Education, Geological Survey, Water Research Laboratory at Utah State University, and the Permanent Community Impact Fund.
2018 Fund Balance:	($31,827)

Mineral Lease Account (Fund 1326)

Statute:	***Utah Code*** 59-21-1; 59-21-2; 35A-8-301
Revenue Sources:	Per the United States Mineral Lands Leasing Act, federal mineral lease monies except mineral lease bonus payments allocated per ***Utah Code*** 59-21-1(2) and (3).
Expense Purpose:	Planning construction and maintenance of public service and housing, giving priority to those subdivisions of the state socially or economically impacted by development of minerals.
2018 Fund Balance:	$7,742

Mule Deer Protection Restricted Account (Fund 1176)

Statute:	***Utah Code*** 23-30-103, 23-22-2
Revenue Sources:	1) Appropriations by the Legislature, 2) Grants or donations from the federal government, a state agency, a local government, or a person.
Expense Purpose:	DWR may expend money in the account on programs to remove predatory animals that are detrimental to mule deer.
2018 Fund Balance:	$5,417

Off-highway Access and Education Restricted Account (Fund 1158)

Statute:	***Utah Code*** 41-22-19.5; 41-1a-230.6
Revenue Sources:	Contributions deposited into the Off-Highway Access and Education Restricted Account in accordance with ***Utah Code*** 41-1a-230.6, private contributions, donations or grants from public or private entities.
Expense Purpose:	The Board of Parks and Recreation may distribute funds to qualified organizations. The board must only consider proposals for funds that protect access to public lands by motor vehicle and off-highway vehicle operations and educate the public about the appropriate use of off-highway vehicles.
2018 Fund Balance:	$87,033

Off-Highway Vehicle Account (Fund 1156)

Statute:	***Utah Code*** 41-22-19 and 35, 59-13-201
Revenue Sources:	Registration fees, motor fuel tax, snowmobile registration fees, snowmobile user fee (out-of-state), contribution for special snowmobile license plate.
Expense Purpose:	Funds are to be used in the construction, improvement, maintenance, and operation of off-highway facilities.
2018 Fund Balance:	$4,442,396

Oil and Gas Abandoned Mine Reclamation Fund (Fund 2210)

Statute:	***Utah Code*** 40-10-25.1, 25, 25.2
Revenue Sources:	Recovered liens, fees, fines, donations, interest, money received from the Secretary of the United States Department of Interior.
Expense Purpose:	To accomplish the purposes of the abandoned mine reclamation program and for any emergency requiring immediate reclamation.
2018 Fund Balance:	$1,817,427

Oil and Gas Conservation Account (Fund 1140)

Statute:	***Utah Code*** 40-6-14.5
Revenue Sources:	Fee levied on oil and gas, penalties, and interest.
Expense Purpose:	Appropriations for plugging and reclamation of abandoned oil and gas wells or for other listed purposes. Funds may also be used for education programs.
2018 Fund Balance:	$2,540,954

Predator Control Restricted Account (Fund 1174)

Statute:	***Utah Code*** 23-19-48; 23-19-22
Revenue Sources:	$5 fee added to big game hunting permits, donations, appropriations, interest.
Expense Purpose:	Money to be used to control populations of predatory animals that endanger the health of non-predatory wildlife populations.
2018 Fund Balance:	$502,480

Sovereign Lands Management Account (Fund 1185)

Statute:	***Utah Code*** 65A-5-1; 65A-5-2
Revenue Sources:	All revenues derived from sovereign lands (such as leasing), $125,000 of revenue generated by the brine shrimp royalty per ***Utah Code*** 59-23-4.
Expense Purpose:	For the management of state lands; to reimburse one or more state government entities for money spent on the operation of national parks, national monuments, national forests, and national recreation areas in the state during a fiscal emergency, and for the Great Salt Lake.
2018 Fund Balance:	$9,379,803

Species Protection Account (Fund 1142)

Statute:	***Utah Code*** 79-2-303; 59-23-4
Revenue Sources:	Royalties and interest.
Expense Purpose:	Funds go toward the mitigation of endangered species and also to the Sovereign Lands Management Account to be used for the Great Salt Lake.
2018 Fund Balance:	$2,328,462

State Fish Hatchery Maintenance Account (Fund 1172)

Statute:	***Utah Code*** 23-15-14(1)
Revenue Sources:	$2.00 of each fishing license fee or combination license fee, interest earnings.
Expense Purpose:	Funds major repairs or replacement of facilities and equipment at fish hatcheries owned and operated by the Division of Wildlife Resources.
2018 Fund Balance:	$812,316

State Park Fees Restricted Account (Fund 1157)

Statute:	***Utah Code*** 79-4-402
Revenue Sources:	Proceeds from the sale or disposal of buffalo, charges for special services and use of facilities
Expense Purpose:	To fund purposes found in ***Utah Code 79-4-203***
2018 Fund Balance:	$26,730,208

Support for State-Owned Shooting Ranges Restricted Account (Fund 1177)

Statute:	***Utah Code*** 23-14-13.5
Revenue Sources:	Contributions per ***Utah Code*** 41-1a-422, private contributions, donations or grants from public or private.
Expense Purpose:	Requires the Division of Wildlife Resources to distribute funds to facilitate the construction of new outdoor firearm shooting ranges, and the operation of existing ranges.
2018 Fund Balance:	$0

Utah Geological Survey Sample Library Fund (Fund 2215)

Statute:	***Utah Code*** 79-3-402
Revenue Sources:	Donations or contributions and interest.
Expense Purpose:	Interest generated by the fund may be used to support the sample library.
2018 Fund Balance:	$78,387

Water Infrastructure Restricted Account (Fund 1180)

Statute:	***Utah Code*** 73-10g-103; 73-10g-104; 59-12-103
Revenue Sources:	Appropriations, contributions, interest, beginning in fiscal year 2018, sales tax earmark per ***Utah Code*** 59-12-103
Expense Purpose:	Funds may be used on the development of the state's undeveloped share of the Bear and Colorado rivers; repair, replacement, or improvement of federal water projects for local sponsors in the state when federal funds are not available; study and development of rules, criteria, targets, processes, and plans.
2018 Fund Balance:	$11,955,490

Water Resources Conservation and Development Fund (Fund 5275)

Statute:	***Utah Code*** 73-10-24; 59-12-103
Revenue Sources:	State appropriations, sales of project water and power, repayment of loans (principal and interest), sales tax revenue per Utah Code 59-12-103, federal mine lease funds, and interest.
Expense Purpose:	The fund is used to make loans and grants for construction, operation, and maintenance of projects to conserve and develop water and power, conduct hydrologic and geotechnical investigations, and protect the state's interest in interstate water compact allocations.
2018 Fund Balance:	$201,194,320

Wildland Fire Suppression Fund (Fund 2220)

Statute:	***Utah Code*** 65A-8-204
Revenue Sources:	Mineral bonus payments per ***Utah Code*** 59-21-2, transfers per ***Utah Code*** 63J-1-312, costs recovered, federal funds, suppression costs, interest.
Expense Purpose:	States that a city, town, county, or special district that enters into a cooperative agreement may be eligible to have the costs of catastrophic wildland fire suppression paid by the state.
2018 Fund Balance:	$5,686,972

Wildlife Habitat Account (Fund 1173)

Statute:	***Utah Code*** 23-19-43, -47
Revenue Sources:	Sale of licenses, permits, stamps, certificates of registration, and Wildlife Heritage Certificates; donations; and interest earnings.
Expense Purpose:	Funds used to develop, restore, and preserve waterfowl wetlands; control predators; acquire or preserve critical habitat; and educate habitat landowners.
2018 Fund Balance:	$1,370,186

Wildlife Resources Account (Fund 1170)

Statute:	***Utah Code*** 23-14-13
Revenue Sources:	Licenses, fines and forfeitures, general fund appropriations, interest.
Expense Purpose:	Funds used for all expenditures authorized by the Director of the Division of Wildlife Resources.
2018 Fund Balance:	$15,177,733

Wildlife Resources Conservation Easement Account (Fund 1145)

Statute:	***Utah Code*** 23-14-14.2
Revenue Sources:	Grants from private foundations; grants from local governments, the state, or the federal government; grants from the Quality Growth Commission created under ***Utah Code*** 11-38-201; donations from landowners for monitoring and managing conservation easements; donations from any other person; and interest on account monies.
Expense Purpose:	To monitor and manage conservation easements held by DWR.
2018 Fund Balance:	$328,929

Wildlife Resource Trust Account (Fund 1171)

Statute:	***Utah Code*** 23-19-17.7
Revenue Sources:	Lifetime license sales and interest.
Expense Purpose:	Funds used for the enhancement of wildlife.
2018 Fund Balance:	$1,313,602

Zion National Park Support Programs Restricted Account (Fund 1159)

Statute:	***Utah Code*** 79-4-404
Revenue Sources:	1) Contributions deposited per ***Utah Code*** 41-1a-422, 2) Private contributions, 3) Donations or grants.
Expense Purpose:	The Division of Parks and Recreation shall distribute contributions to qualified organizations. The Board may expend up to 10% of the monies appropriated to administer the account.
2018 Fund Balance:	$81,370

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Appendix C
Watershed Restoration Initiative Projects from 2005 to 2018

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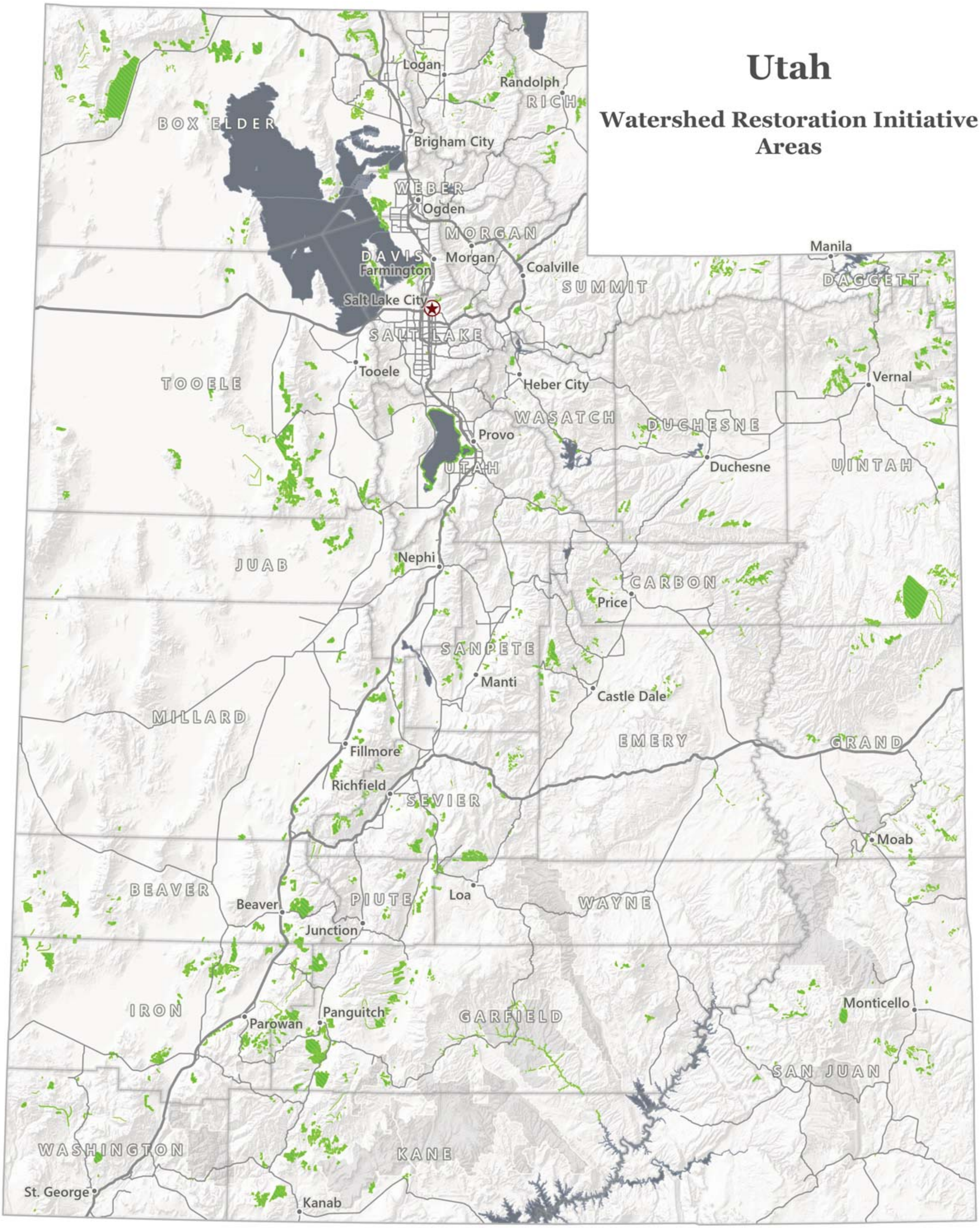

Utah
Watershed Restoration Initiative Areas
BOX ELDER
Logan
Randolph
RICH
Brigham City
WEBER
Ogden
MORGAN
Morgan
DAVIS
Farmington
Coalville
SUMMIT
Manila
DAGGETT
Salt Lake City
SALT LAKE
Tooele
TOOELE
Heber City
Vernal
WASATCH
DUCHESNE
Provo
UTAH
Duchesne
UINTAH
JUAB
Nephi
CARBON
Price
SANPETE
Manti
Castle Dale
MILLARD
EMERY
GRAND
Fillmore
Richfield
SEVIER
Moab
BEAVER
Beaver
PIUTE
Loa
WAYNE
Junction
Monticello
IRON
Parowan
Panguitch
GARFIELD
SAN JUAN
WASHINGTON
KANE
St. George
Kanab

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Appendix D
Legal Analysis Provided by the
Office of Legislative Research and General Counsel

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OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL
John Q. Cannon, Director
John L. Fellows, General Counsel

August 29, 2019
Kade Minchey, Auditor General
Brian Dean, Deputy Auditor General
Office of the Legislative Auditor General
W315 State Capitol Complex
Salt Lake City, UT 84114

RE: Watershed Restoration Initiative Analysis

Gentlemen:

The Office of the Legislative Auditor General requested that we provide you with a legal analysis of: whether the Watershed Restoration Initiative (WRI) is required to be in statute or administrative rule; and examples of the pros and cons of codifying or creating the program through statute or administrative rule. This letter is in response to that request.

ISSUE AND SHORT ANSWER

Is the Watershed Restoration Initiative required to be in statue or administrative rule?

No, the Watershed Restoration Initiative is not required to be in statute or administrative rule. There are pros and cons of codifying and rulemaking to establish programs like WRI. Ultimately, this is a policy decision for the Legislature.

ANALYSIS

WRI Background

We gathered details of WRI primarily from its website and discussions with the Office of the Legislative Auditor General. Our understanding of WRI is as follows.

WRI is a partnership based program in Utah to improve high priority watersheds throughout the state. WRI is sponsored by the Utah Partners for Conservation and Development, a collection of government and private entities. Projects are planned, reviewed, and ranked at a local level with five regional teams electing their own leaders, establishing focus areas, reviewing, scoring and ranking project proposals, and assisting their members in implementing projects. The funding of WRI includes legislative appropriations to the Department of Natural Resources (DNR), federal money, money from restricted accounts overseen by DNR, money from other departments or programs, and money contributed by nongovernment or private persons.

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Current Status of Statute or Rule of WRI and DNR.

Currently, WRI is not found in statute or rule. In terms of the general authority of DNR to administer programs, there is no general statute outlining the powers of DNR. More generally, Section 79-2-202 establishes the responsibilities of the executive director of DNR. The executive director shall "administer and supervise the department and provide for coordination and cooperation among the boards, divisions, councils, and committees of the department." The executive director, "in cooperation with the governmental entities having policymaking authority regarding natural resources, may engage in studies and comprehensive planning for the development and conservation of the state's natural resources." Section 59-12-103 provides funding for the DNR to use for watershed rehabilitation or restoration. Also, divisions of DNR have specific authority related to watersheds. For example, Section 65A-8-101 outlines duties of the Division of Forestry, Fire, and State Lands to "protect life and property on nonfederal forest, range, watershed, or wildland urban interface land within the state." Pursuant to Section 65A-8-103, the Division of Forestry, Fire, and State Lands may use available money to meet the costs of managing forest, range, watershed, and wildland urban interface fires and rehabilitating or reforesting nonfederal forest, range, and watershed lands. Pursuant to Section 73-5-14, the "state engineer may determine for administrative and distribution purposes the watershed to which any particular stream or source of water is tributary."

There is no general statute that gives the DNR general rulemaking authority. Rulemaking related to the DNR is granted to DNR in specific instances or granted to a specific individual, like the state engineer, or a division or board.

Statute or Rule Not Required

There is no general statute requiring that a program of a state agency must be found in statute. Moreover, WRI appears to be sponsored by Utah Partners for Conservation and Development, which is arguably not a state agency.

As for rulemaking, Utah Code 63G-3-201 provides that: "[i]n addition to other rulemaking required by law, each agency shall make rules when agency action:

> (a) authorizes, requires, or prohibits an action;
>
> (b) provides or prohibits a material benefit;
>
> (c) applies to a class of persons or another agency; and
>
> (d) is explicitly or implicitly authorized by statute."

The section also states that rulemaking is not required in various circumstances such as when agency action applies only to internal agency management; a standardized agency manual applies only to internal fiscal or administrative details of governmental entities supervised under statute; or an agency issues policy or other statements that are advisory, informative, or descriptive, and do not conform to when rules are required.

Pros and Cons of Codifying or Making Rules

There are pros and cons of codifying or making rules to establish a program.

The advantages of codifying a program include:

- having the ability to exercise legislative oversight,
- providing transparency,
- ensuring consistency in how the program is administered, and
- giving notice to the public of the existence of the program.

Providing for the program in rules has similar advantages. Namely, rulemaking has the benefit of going through a public rulemaking process. Granting rulemaking to establish WRI would likely require a statute authorizing the rulemaking.

Disadvantages of codifying or rulemaking include having to go through the legislative or rulemaking process to make changes to the program or to adapt it to specific needs, which requires time and may impact the partnership approach of WRI. Disadvantages parallel the advantages of not creating a program by statute or rule.

The advantages of not creating a program by statute or rule include:

- having flexibility in adapting to different circumstances,
- maintaining a partnership focus, such as the WRI's sponsorship by the Utah Partners for Conservation and Development, and
- having the ability to make improvements to a program without having to go through the legislative or rulemaking process.

Disadvantages of not creating a program by statute or rule parallel the advantages of creating the program or rule by statute, primarily if it is not created by statute, there is less legislative oversight.

CONCLUSION

Outlining these advantages and disadvantages is for illustration purposes only, and our office does not take a position as to whether to codify WRI, to require DNR to create WRI through rulemaking, or to not include WRI in statute or rule. The approach to be taken is a policy decision for the Legislature.

Thank you,

Patricia Owen
Associate General Counsel

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Appendix E
A Comparison of Each Agency's Internal Audit Staffing Numbers

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Appendix E

The Institute of Internal Auditors (IIA) suggests that no rule or standard outlines the proper size an internal audit function should have,[15] though statute directs that audit functions should have a sufficient number of staff to be effective. Despite this statutory guidance, DNR had only one of three audit positions filled until recently. As discussed in Chapter III, we believe DNR internal audit's lack of annual risk assessments and follow-up on prior findings is the result, in part, of an understaffed audit function.

We compared the FTEs and internal auditors within each of the 12 state entities listed in statute alongside DNR also required to conduct internal audits. Figure E.1 shows a higher number of FTEs per auditor at DNR as compared to some other state entities.

Figure E.1 DNR is One of 13 Agencies Required in Statute to Have an Audit Presence. By one measure, DNR's internal audit office has comparatively fewer auditors than some other agencies.

Department	FTE	Internal Auditors	FTE per Auditor
Public Safety	1,341	0.00	1,341
Human Services	4,046	4.96	816
Natural Resources	**1,361**	**2.25**	**605**
Corrections	2,527	4.50	562
Transportation	1,638	4.00	410
Environ. Quality	361	1.00	361
Tax Commission	690	2.00	345
Workforce Services	2,025	9.70	209
Health	977	6.00	163
Heritage and Arts	124	0.50	124
Agriculture	253	Outsourced*	N/A
Admin. Services	435	Outsourced*	N/A
Commerce	257	Outsourced*	N/A

Source: 2018 State of Utah CAFR, COBI, and self-reported information from individuals representing each entity.
**The Department of Agriculture and Food, the Department of Administrative Services, and the Department of Commerce contract their internal audit functions with outside parties. The contracted amounts are relatively low compared to DNR's internal audit budget.*

With internal audit's recent hire of an additional staff auditor, there is now one auditor to 605 employees, a higher ratio than that of most other state entities we compared. This measure may not be the only way to compare the efficacy of an audit function. However, with DNR's increased risks that were highlighted in the report, we believe the internal audit program needs more than one auditor to effectively account for risk within the department.

[15] IIA standards, though silent on the number of auditors required to be effective, suggest that an appropriate number of auditors should provide the knowledge, skills, and competencies needed to fulfill the audit plan.

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Agency Response

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State of Utah

DEPARTMENT OF NATURAL RESOURCE

BRIAN STEED
Executive Director

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

September 10, 2019

Mr. Kade R. Minchey, CIA, CFE
State of Utah - Office of the Legislative Auditor General
W315 Utah State Capitol Complex
Salt Lake City, UT 84114-5315

RE: Audit Report No. 2019-10 (In-Depth Review of DNR)

Dear Mr. Minchey,

We appreciate the work you and your staff have done in completing the "In-Depth Budget Review of the Department of Natural Resources." We commend the professionalism shown by you and your staff in this process.

We generally concur with the recommendations presented in the report; and we will implement changes to improve our programs and processes as we continually strive to become more efficient and transparent with the services we provide to the general public. Below you will find our response to specific chapters and/or recommendations found in the audit report.

<u>Chapter II – Watershed Restoration Initiative (WRI)</u>

We generally concur with the findings in the report to consider codifying in statute the mission and oversight structure for WRI, along with adopting policies and procedures that provide guidance. Below are some points that will help clarify the findings in the report:

- The current performance reporting structure was developed with the legislature during the many years that the program has existed. A separate spreadsheet with all the relevant partner funding could be sent along with the annual SUCCESS measure to the legislature upon request. This information is also available through the advanced search function of the WRI online database.

- WRI is coordinating closely with the DWR Range Trend program to provide a more structured and universal monitoring of WRI projects each year.

- The long-term impact of the WRI program is being measured through internal and external (BYU and USU) research efforts to better understand issues related to the following: Aspen decline and regeneration following fire; impact at the watershed scale to water quality and quantity following WRI treatments; impact to fire size and intensity as a result of WRI led fuels reduction; impact of WRI projects on big game movement/health/survival, etc.

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Chapter III – DNR Internal Audit Program

We concur with the findings in the report about the perceived lack of independence our internal audit director has by also functioning in a dual role as the finance director. While we feel the person currently filling this role and those who filled it in the past have not had issues with independence, we agree the perception is there and that it does not comply with auditing standards.

Therefore, we will work with the legislature to hire and fill a separate and independent DNR internal audit director who can devote their entire time to the internal audit function, a function we greatly value for the input they provide. We feel when this new internal audit director is hired, it will also resolve the other issues found in the report regarding the internal audit program and implement the recommendations to do annual risk assessments and increase audit follow-up.

Chapter IV – Division of Wildlife Resources Funding

We generally concur with the findings in the report. Below are some points that would help clarify the findings:

- DWR is more than 90% self-funded through fees, Federal funds and contracts.
- Of the $7.9 million in General Funds provided to DWR in 2018, more than $6.7 million are for items that can't be replaced with hunting and fishing license fee revenue, because it would be inappropriate to spend hunter/angler funds on items not directly related to hunting and fishing. These types of activities include sensitive species management, AIS (quagga mussel) containment, general (non-wildlife) law enforcement, General Fund portion of annual SITLA access payment, and wild horses.

Chapter V – Oversight of Division Assets

We agree there are asset inventory issues in some and maybe all divisions within the department, particularly as it pertains to pilferable or non-capital assets. We will update our department asset inventory policy to help divisions strengthen their controls to comply with State policies and procedures regarding the proper segregation of duties and tracking of assets.

Respectfully,

Brain Steed

DNR Executive Director