



Washington State Auditor's Office

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Accountability Audit Report Department of Fish and Wildlife

For the period July 1, 2014 through June 30, 2015

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Washington State Auditor's Office

July 7, 2016

Jim Unsworth, Director
Department of Fish and Wildlife
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Department's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Audit Summary	4
Schedule Of Audit Findings And Responses	6
Related Reports	12
Information About The Department	13
About The State Auditor’s Office	14

AUDIT SUMMARY

Results in brief

In most areas we examined, the Department complied with state laws and regulations and its own policies and procedures. We found the Department's operations provided an adequate safeguarding of public resources in the areas we examined.

However, the Department can make improvements in the areas of contract procurement and payments.

We recommend the Department:

- Follow required state contracting policies for the future procurement of goods or services.
- Ensure project managers are notified when a contract has been executed, or is about to expire, in order to prevent staff from authorizing work without a contract.

These recommendations were included in our report as a finding.

About the audit

This report contains the results of our independent accountability audit of the Department of Fish and Wildlife for July 1, 2014 through June 30, 2015.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Department's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance.

The following areas were examined during this audit period:

- Contract procurement and payments
- Hotline complaint – Tieton Cattle Company land acquisition
- Hunting and fishing license revenue
- Purchase cards

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2015-001 The Department of Fish and Wildlife did not comply with required state contracting policies related to the procurement of goods and services, and did not ensure written contracts were in effect before making payments.

Background

The Department of Fish and Wildlife preserves, protects and perpetuates fish, wildlife, and ecosystems in Washington. The Department operates more than 83 hatcheries and 33 wildlife areas statewide.

The Department uses contracts to procure goods and services necessary to operate its programs. Staff who have completed the required Department of Enterprise Services (DES) procurement training may procure goods and services on behalf of the Department so long as the purchase(s) do not exceed \$10,000. If the purchase exceeds this amount, a contract must be executed by the contracts and purchasing division.

According to the Department's policies, the contracts and purchasing division requires a written statement of work and cost estimate by project managers that request items or services before a contract can be executed. The Department is required to adhere to DES Procurement Reform for general purchases of goods and services, which became effective January 1, 2013.

In state fiscal year 2015, the Department executed approximately 100 contracts for goods and services totaling \$4.4 million.

Description of Condition

We reviewed the procurement of 22 competitively solicited contracts and six sole source contracts for goods and services to determine if the Department complied with applicable state contracting policies.

In addition, we examined 58 payments for goods and services totaling \$1.3 million to determine if the payments were allowable according to the terms and conditions of the contracts and supported by adequate documentation.

We found:

- 19 payments totaling \$124,269 were made to one vendor without a contract in place. The Department had begun the competitive solicitation process and received the lowest price from this vendor. However, payments were made to the vendor before the contract was executed.
- One payment totaling \$27,000 was made without a contract in place. A Department project manager authorized a vendor to perform work even though a contract was required according to state procurement policies.
- One payment totaling \$39,781 was paid to a vendor whose contract had expired. The Department did not file an amendment to extend the contract or increase the amount of the contract, thereby exceeding the total amount awarded to the vendor.
- Four out of 22 competitively solicited contracts did not contain indication of the successful bidder in the Washington Electronic Business Solution (WEBS). Additionally, one contract file did not contain all submitted proposals to ensure the lowest responsive bidder was selected to perform the work.

Cause of Condition

Some project staff did not follow the Department's centralized process to establish a written contract before authorizing the work to begin. We also noted the Department's internal policy contains a process to allow payments to vendors when staff authorize work prematurely. However, it does not prevent staff from authorizing work without a contract.

The Department ensured mandatory procurement training was taken by all employees who may have the need to procure goods and services to ensure the Department complied with all required state procurement policies. However, communication between contracting staff and project managers was not always effective to ensure all payments for goods and services are allowable and properly authorized under contract.

Effect of Condition

By not following required state contracting policies, the Department is at a higher risk of incurring additional administrative costs by re-bidding contracts. Without establishing a written contract, the vendor is not obligated to honor their bid and may withhold delivery of goods and services.

Recommendation

We recommend the Department improve internal controls over procurement and contracts. Specifically, we recommend the Department:

- Follow required state contracting policies for the future procurement of goods or services.
- Ensure project managers are notified when a contract has been executed, or is about to expire, in order to prevent staff from authorizing work without a contract.

Department's Response

We concur with the Auditor's finding.

We wish to note though that WDFW strives to consistently follow all applicable DES and federal purchasing rules. The items noted in this finding were exceptions to our rules and we will be taking further steps to ensure the quality and standards required are in place.

However, the Department would also like to note that all of the items in this finding were appropriate payments for contractors with the Department, all supporting documents were signed by the appropriate manager, WEBS was used when required for bidding and vendor notification and there were no fraud or overpayment issues noted.

Auditor's Remarks

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

RCW 39.26.090 – Director's duties and responsibilities – Rules, states in part:

The director shall:

- (1) Establish overall state policies, standards, and procedures regarding the procurement of goods and services by all state agencies;
- (4) Enter into contracts or delegate the authority to enter into contracts on behalf of the state to facilitate the purchase, lease, rent, or otherwise acquire all goods and services and equipment

needed for the support, maintenance, and use of all state agencies, except as provided in RCW 39.26.100;

(5) Have authority to delegate to agencies authorization to purchase goods and services. The authorization must specify restrictions as to dollar amount or to specific types of goods and services, based on a risk assessment process developed by the department. Acceptance of the purchasing authorization by an agency does not relieve the agency from conformance with this chapter or from policies established by the director. Also, the director may not delegate to a state agency the authorization to purchase goods and services if the agency is not in substantial compliance with overall procurement policies as established by the director;

RCW 39.26.120 – Competitive solicitation, states in part:

(1) Insofar as practicable, all purchases of or contracts for goods and services must be based on a competitive solicitation process. This process may include electronic or web-based solicitations, bids, and signatures. This requirement also applies to procurement of goods and services executed by agencies under delegated authority granted in accordance with RCW 39.26.090 or under RCW 28B.10.029.

RCW 39.26.125 – Competitive solicitation—Exceptions, states in part:

All contracts must be entered into pursuant to competitive solicitation, except for:

(3) Direct buy purchases, as designated by the director. The director shall establish policies to define criteria for direct buy purchases. These criteria may be adjusted to accommodate special market conditions and to promote market diversity for the benefit of the citizens of the state of Washington;

RCW 39.26.150 – Public notice – Posting on enterprise vendor registration and bid notification system, states in part:

(1) Agencies must provide public notice for all competitive solicitations. Agencies must post all contract opportunities on the state's enterprise vendor registration and bid notification

system. In addition, agencies may notify contractors and potential bidders by sending notices by mail, electronic transmission, newspaper advertisements, or other means as may be appropriate.

RCW 39.26.160 – Bid awards – Considerations – Requirements and criteria to be set forth – Negotiations – Use of enterprise vendor registration and bid notification system, states in part:

(3) In determining the lowest responsive and responsible bidder, an agency may consider best value criteria, including but not limited to:

(a) Whether the bid satisfies the needs of the state as specified in the solicitation documents;

(b) Whether the bid encourages diverse contractor participation;

(c) Whether the bid provides competitive pricing, economies, and efficiencies;

(d) Whether the bid considers human health and environmental impacts;

(e) Whether the bid appropriately weighs cost and noncost considerations; and

(f) Life-cycle cost.

(6) After reviewing all bid submissions, an agency may enter into negotiations with the lowest responsive and responsible bidder in order to determine if the bid may be improved. An agency may not use this negotiation opportunity to permit a bidder to change a nonresponsive bid into a responsive bid.

(7) The procuring agency must enter into the state's enterprise vendor [registration] and bid notification system the name of each bidder and an indication as to the successful bidder.

Policy #DES-125-03 – Direct Buy Purchases/Procurements, states in part:

3) Direct Buy Purchase Authorization: Effective January 1, 2013, agencies are authorized to purchase goods and services

up to a cost of \$10,000 (excluding sales tax) directly from a vendor and without competition.

The Washington State Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

Section 85.32.20.a. Expenditure Authorization

Goods and services are not to be ordered, contracted for, or paid for unless they are provided by authorized vendors and within the limitations prescribed by the Department of Enterprise Services, Contracts and Legal Division (RCW 43.19.190 and 39.29.065), or other statute.

Section 85.32.20.b.

Prior to payment authorization, agencies are to verify that the goods and services received comply with the specifications or scope of work indicated on the purchase or contract documents. Authorized personnel receiving the goods and services are to indicate the actual quantities received, services provided, deliverable submitted, etc. . . .

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2015, can be found at: <http://www.sao.wa.gov/resources/Pages/AnnualReports.aspx>

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Performance audits

Initiative 900, approved by voters in 2005, gives the State Auditor's Office the authority to conduct independent performance audits of state and local government entities. Performance audits may include objective analysis on ways to improve program performance and operations, reduce costs and identify best practices.

We issued the separate Regulatory Reform: Enhancing Regulatory Agency Coordination performance audit report, which is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Special investigations

During the current audit period, the State Auditor's Office issued a report pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW). That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DEPARTMENT

The Department of Fish and Wildlife was established by the state Legislature in 1994 to protect and enhance fish and wildlife habitats and provide sustainable fish and wildlife related recreational and commercial opportunities. The Department's mission is to preserve, protect and perpetuate the state's fish, wildlife and ecosystems, including management of human use for public benefit and sustainable social and economic needs.

Department policy is guided by the Washington Fish and Wildlife Commission composed of nine citizen members who serve six-year terms and are appointed by the Governor. Department operations are led by a Director appointed by the Commission, as well as an Executive Management Team. The Department is headquartered in Olympia and operates six regional offices throughout the state.

The Department collects approximately \$45 million in recreational license revenues and approximately \$1.1 million in commercial license revenues annually. The Department is staffed with more than 1,400 full-time employees and its operating budget for 2013-2015 was approximately \$376 million.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Department of Fish and Wildlife at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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