

**FISH AND WILDLIFE CONSERVATION
COMMISSION**

**OFFICE OF LICENSING AND PERMITTING AND
PRIOR AUDIT FOLLOW-UP**

Operational Audit



THE FISH AND WILDLIFE CONSERVATION COMMISSION

Pursuant to Section 20.331, Florida Statutes, the head of the Fish and Wildlife Conservation Commission is the Commission, with commissioners appointed for 5-year terms by the Governor as provided by Section 9, Article IV of the State Constitution. The Commission members who served during the period of audit were:

Rodney Barreto, Chair	Dwight Stephenson
Richard "Dick" Corbett	Kenneth Wright
Kathy Barco	Brain Yablonski
Ronald Bergeron	

EXECUTIVE DIRECTOR OF THE FISH AND WILDLIFE CONSERVATION COMMISSION

The Executive Director is employed by the Commission and serves at the pleasure of the Commission. The Executive Directors who served during the period of audit were:

Nick Wiley	From December 2009
Kenneth Haddad	To December 2009

The audit team leader was Travis C. Cone and the audit was supervised by Frank H. Becton, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at davidvick@aud.state.fl.us or by telephone at (850) 487-4494.

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FISH AND WILDLIFE CONSERVATION COMMISSION

Office of Licensing and Permitting and Prior Audit Follow-up

SUMMARY

This operational audit of the Fish and Wildlife Conservation Commission (Commission) focused on the Office of Licensing and Permitting. Our audit also included a follow-up on the findings included in audit report Nos. 2009-021 and 2009-083.

RECREATIONAL LICENSING AND PERMITTING

Finding No. 1: The Commission had not developed procedures for reconciling the licenses and permits sold and recorded in the Total Licensing System to the related fees deposited into the State Treasury and recorded in Commission accounting records.

Finding No. 2: The Commission assigned incompatible duties to a single employee handling no-fee disability licenses and permits. In addition, the controls over voided and misprinted licenses and permits needed improvement.

Finding No. 3: Commission procedures used to allocate the proceeds from the sale of five-year licenses and permits and the associated interest earnings to the Marine Resources Conservation Trust Fund and the State Game Trust Fund were not accurately applied.

Finding No. 4: Commission procedures for allocating the interest earned on the proceeds from the sales of lifetime licenses needed improvement. In addition, related provisions of law need clarification.

Finding No. 5: The Commission did not maintain documentation evidencing that alligator licenses were issued only to eligible individuals.

COMMERCIAL LICENSING AND PERMITTING

Finding No. 6: For the Stone Crab, Blue Crab, and Spiny Lobster Programs, the Commission did not track expenditures and equity balances at a detailed level to ensure that moneys generated from each of the programs were used in accordance with State law.

CUSTOMER SERVICE

Finding No. 7: The Commission's Web site did not provide for licenses and permits accurate, complete, and valid consumer information.

INFORMATION TECHNOLOGY CONTROLS

Finding No. 8: The Commission had not established procedures for documenting the request, approval, modification, or deletion of user access to Commission information technology resources. In addition, the Commission did not timely delete employee access upon an employee's separation from Commission employment.

Finding No. 9: Change management controls relating to the Commercial Capture Wildlife System and the Commercial Saltwater Licensing System needed enhancement.

Finding No. 10: The Commission should study the cost-effectiveness of utilizing fewer systems to facilitate the processing of Commission-issued licenses and permits.

Finding No. 11: The Commission had not developed procedures for the management of Florida Accounting Information Resource Subsystem access privileges.

OTHER ADMINISTRATIVE ISSUES

Finding No. 12: Commission personnel did not always comply with applicable rules and procedures related to the investigation of instances in which tangible personal property items are not located during an annual physical inventory of property.

PRIOR AUDIT FOLLOW-UP

The Commission had taken corrective actions for the findings included in audit report Nos. 2009-021 and 2009-083.

BACKGROUND

The Commission is responsible for exercising regulatory and executive powers with respect to wild animal life, freshwater aquatic life, and marine life. During the period of audit, the Commission’s organizational structure included the Divisions of Freshwater Fisheries Management, Habitat and Species Conservation, Hunting and Game Management, Law Enforcement, and Marine Fisheries Management; the Fish and Wildlife Research Institute; and various administrative Offices, including the Office of Licensing and Permitting (OLP).

OLP has three Sections: Recreational Licensing and Permitting, Commercial Licensing and Permitting, and Customer Service with staffing, as of March 30, 2010, of seven, eight, and one employee, respectively. The primary functions of the OLP are to process applications, collect revenues, issue licenses and permits, and answer customer questions related to licensing and permitting. OLP issues approximately 300 different types of licenses and permits, approximately 200 for recreational purposes and approximately 100 for commercial purposes. The fees associated with these licenses and permits are established in State law,¹ with various licenses and permits also available to individuals for no fee. State law provides the Commission with directives as to where the collected fees are to be deposited and what programs are to benefit from the proceeds of the various licenses and permits.

Table 1 shows the particular systems used by each Section to meet its responsibilities and the number of licenses and permits issued and the fees collected during the period July 2008 through February 2010.

¹ Chapter 379, Florida Statutes.

Table 1

**Summary of Licenses and Permits Issued by Commission Licensing Systems
During the Period July 2008 Through February 2010**

Licensing Section and System	Total Number of Licenses and Permits Issued	Amount
Recreational Licensing and Permitting Section		
Total Licensing System		
Fee Required	3,371,128	\$69,546,755
No Fee ^a	267,654	-
Total Licensing System Totals	<u>3,638,782</u>	<u>\$69,546,755</u>
Commercial Captive Wildlife System	<u>15,989</u>	<u>\$942,170</u>
Alligator System	<u>133,585</u> ^b	<u>\$537,579</u>
Disability Licensing System (No Fee) ^c	<u>26,744</u>	<u>-</u>
Recreational Licensing and Permitting Section Totals	<u>3,815,100</u>	<u>\$71,026,504</u>
Commercial Licensing and Permitting Section		
Commercial Saltwater Licensing System		
Fee Required	3,941,420	\$6,952,753
No Fee ^a	18,506	-
Commercial Licensing and Permitting Section Totals	<u>3,959,926</u>	<u>\$6,952,753</u>
Total Licensing and Permitting	<u>7,775,026</u>	<u>\$77,979,257</u>

^a The Commission issues various no-fee licenses and permits as a means to regulate specific activities, such as, limiting the taking of species from public waters and lands. To be eligible to receive a no-fee license or permit, the applicant is required to apply for, or be a current holder of, a specific license or permit issued by the Commission where a fee was required. See Commission Rules 68A-15.005, 68B-28.0036, 68B-24.0055, 68B-35.005, and 68B-56.002, Florida Administrative Code, and Section 379.361(1)(b)1., Florida Statutes.

^b Number includes 8,274 alligator hide validation tags issued in the Alligator System but sold through TLS.

^c Section 379.353, Florida Statutes, provides that persons determined disabled shall be issued certain licenses without the payment of the required fee.

Source: Commission License and Permitting Systems (information compiled by Commission staff).

Recreational Licensing and Permitting

The Recreational Licensing and Permitting Section administers the issuance of licenses and permits through the Total Licensing System (TLS), Commercial Captive Wildlife System (CCWS), Alligator System, Disability Licensing System, and Lifetime and Five-Year Licensing System. The Lifetime and Five-Year Licensing System processes the issuance of lifetime licenses and five-year cards, although application and fees are processed in TLS.

Individuals can apply for a recreational license or permit online, by calling a toll-free telephone number, or by visiting one of the approximately 890 Commission-registered agents. Registered agents issue licenses and permits by accessing TLS with computer hardware provided by the TLS vendor. Individuals can apply for commercial freshwater fishing, captive wildlife, alligator, disability, and various other licenses and permits by submitting an application to the Recreational Licensing and Permitting Section by mail or in person.

TLS is a vendor-operated system, for which the Commission entered into a contract for the provision of all system support for issuing and tracking recreational licenses and permits. CCWS, Alligator System, Disability Licensing System, and Lifetime and Five-Year Licensing System were developed and are maintained internally by the Commission.

Commercial Licensing and Permitting

The Commercial Licensing and Permitting Section issues licenses and permits through the Commercial Saltwater Licensing System (CSLS). The Commission contracted with a vendor to develop CSLS and Commission employees maintain the system. Commercial saltwater licenses and permits may be obtained by submitting an application to the Commercial Licensing and Permitting Section by mail or in person.

Customer Service

The Customer Service Section coordinates and operates the Internet-based agencywide knowledge base “Ask FWC” and the License and Permit Information System. The Section provides the Divisions with distribution support for published regulation summary materials for agents and monitors the Commission’s Web site for information accuracy. According to Commission personnel, approximately 80 percent of the questions handled by the Customer Service Section involved licensing and permitting issues.

FINDINGS AND RECOMMENDATIONS

Recreational Licensing and Permitting

Finding No. 1: Reconciliation of Deposits

TLS facilitates collecting fees and issuing and tracking recreational licenses and permits and is used by approximately 890 agents registered with the Commission. TLS is also used to record telephone and Internet license and permit sales. Proceeds from telephone and Internet sales are deposited into the TLS vendor’s bank account. Fees collected by agents are deposited into their respective bank accounts and, once a week, the TLS vendor initiates electronic funds transfers from the agents’ bank accounts to the TLS vendor’s bank account. Once a week, after the TLS vendor has accumulated all the fees collected through telephone, Internet, and agent sales, the funds are to be electronically transmitted to the State Treasury and recorded in FLAIR.² As shown by Table 1, during the period July 2008 through February 2010, the Recreational Licensing and Permitting Section processed through TLS fees totaling approximately \$70 million.

Effective internal controls require that Commission personnel periodically reconcile the funds transmitted to the State Treasury by the TLS vendor to the amount that should have been transmitted based on the number of licenses and permits recorded as sold in TLS. Such a reconciliation would provide reasonable assurance that recorded collections for fees are in agreement with the volume of licenses and permits issued and facilitate the prompt identification and investigation of any differences, including those resulting from agent errors.

Our audit disclosed that, although the Commission had performed periodic summary-level reconciliations to ensure that amounts received in the State Treasury were properly recorded in FLAIR, the Commission had not developed procedures requiring that reconciliations include a comparison of the fee amounts due for each type of license and permit recorded in TLS to the related funds electronically transmitted to the State Treasury and recorded in FLAIR. Absent, for each type of license and permit, a periodic reconciliation of the number of licenses and permits recorded as sold in TLS to the amounts electronically transmitted to the State Treasury, management has reduced assurance that all funds due to the State have been collected and deposited, or alternatively, that responsibility for shortages can be identified.

² The Florida Accounting Information Resource Subsystem (FLAIR) is the State’s accounting system.

Recommendation: We recommend that the Commission enhance reconciliation procedures to include reconciling the amount of fees for each type of license and permit recorded as sold in TLS to the amount of funds electronically transmitted to the State Treasury and recorded in FLAIR.

The Executive Director, in the Commission's written response, stated that while the Commission concurs in principle with the finding, the implementation of our recommendation would not be cost-effective. The written response also described two processes that were believed to mitigate the impact of the finding. The described processes and related reconciliation reports are utilized by the Commission to reconcile amounts deposited into the State Treasury to amounts recorded in FLAIR. As noted in our finding, this approach accounts for amounts deposited into the State Treasury; however, it does not readily provide a determination that all funds due to the State have been collected and deposited, or alternatively, that responsibility for shortages can be identified.

Finding No. 2: No-Fee Disability Licenses and Permits

Persons who are disabled can obtain no-fee fishing and hunting licenses and crossbow permits by submitting to the Commission an application along with documentation of disability. Applications and supporting documentation are reviewed and, if approved, information is entered into the Disability Licensing System and a license or permit is printed and mailed to the applicant. During the period July 2008 through February 2010, the Commission issued 26,744 no-fee disability licenses and permits. Although these licenses and permits were issued without a fee, adequate processes and controls must be in place to ensure that only eligible persons receive the no-fee disability license or permit. Our audit disclosed several areas in which Commission controls needed improvement.

Assignment of Staff Responsibilities

The separation of incompatible duties is an essential part of sound management controls. Our audit disclosed that one employee was assigned responsibility for reviewing applications, reviewing documentation supporting disability, approving the application, recording applicant information into the Disability Licensing System, printing the license or permit, and mailing the license or permit to the applicant. This employee also had control of prenumbered licenses, blank permit stock, and voided and misprinted licenses and permits, and there was no independent review of the work performed by this employee. Absent appropriate separation of duties and independent review, there is an increased risk that licenses or permits could be issued without the holders meeting the eligibility requirements provided in State law.³

Controls Over Prenumbered Licenses and Blank Permits

The Commission utilized prenumbered licenses and permits with system-generated sequential permit numbers. This use of numbered licenses and permits provides a means for tracking licenses and permits issued. Effective internal controls would include procedures addressing security and accountability of prenumbered licenses and blank permit stock, including periodic inventories and reconciliations of all licenses and permits issued to prenumbered licenses and permit stock ordered, received, issued, and on hand.

Our audit disclosed that the Commission had not established procedures regarding the control of prenumbered licenses and blank permit stock. Specifically, license and permit numbers recorded in the Disability Licensing System during the period July 2008 through February 2010, included gaps in the numbering sequence that left 1,881 license and 1,694 permit numbers unaccounted for. In response to our audit inquiries, Commission management stated that the license and permit numbering gaps appeared to be a combination of unrecorded misprints of licenses and system errors relating to whole or partially printed batches of licenses, the numbers of which the Disability Licensing System

³ Section 379.353, Florida Statutes.

may have omitted. Commission management was able to provide documentation for 796 of the licenses and 209 of the permit numbers showing that the numbers related to voided or misprinted licenses or permits. For the remaining 1,085 licenses and 1,515 permits, Commission management was unable to provide a blank license bearing the number or an explanation or documentation for the specific reason for the unaccounted-for license and permit numbers. Our audit also disclosed that the Disability Licensing System did not provide processing logs, error reports, or audit logs. Had these types of reports been available, Commission management may have been able to identify and obtain an explanation for the gaps in the license and permit numbering sequences. We also noted that voided licenses and permits were not always marked as voided.

Recommendation: We recommend that the Commission adopt procedures to appropriately separate incompatible duties or provide for independent review of these licensing processes. In addition, we recommend that the Commission implement a process for controlling prenumbered license and blank permit stock including the reconciliation of all license and permit stock issued, misprinted and voided, or on hand in inventory. Further, we recommend that voided licenses and permits be marked as void.

Finding No. 3: Dedicated License Trust Fund

State law⁴ established the Dedicated License Trust Fund as the fund to be credited with moneys collected for five-year licenses and permits and replacement five-year licenses.⁵ The law also provides that:

- One-fifth of the total proceeds from the sale of five-year saltwater fishing licenses, permits, and replacement licenses and all interest earnings derived from investment of the total proceeds of such sales shall be transferred to the Marine Resources Conservation Trust Fund.
- One-fifth of the total proceeds from the sale of five-year hunting and freshwater fishing licenses, permits, and replacement licenses and all interest earnings derived from investment of the total proceeds of such sales shall be transferred to the State Game Trust Fund.

Our tests disclosed that Commission procedures were not accurately applied when calculating the amounts to be transferred or apportioned to the Marine Resources Conservation and State Game Trust Funds. Specifically:

- Commission procedures required that allocations be made at fiscal-year end using two separate calculations. The first calculation was to cover the total proceeds received from July through May and the second was to include June proceeds. Our examination of the 2009-10 fiscal year allocation disclosed errors in the calculations, and these errors resulted in excessive transfers being made to the Marine Resources Conservation Trust Fund and State Game Trust Fund in the amounts of \$54,930 and \$34,417, respectively. Commission management indicated that no supervisory review had been performed of the calculated allocations.
- Our examination of the Commission's February 2010 interest earnings calculation and allocation disclosed that Commission procedures did not require that the allocation of interest earnings be based on the total cumulative invested proceeds from the sales of licenses and permits. The monthly calculation performed by the Commission utilized only the current month's proceeds and did not consider previously collected amounts. The failure to consider total proceeds resulted in errors in the allocations of interest earnings. For example, using monthly, rather than, cumulative proceeds, the Commission under and over allocated February 2010 interest earnings of \$7,547 by \$599 to the Marine Resources Conservation Trust Fund and the State Game Trust Fund, respectively. Commission procedures required that an independent review of the interest allocation calculation be performed; however, in response to our audit inquiry, Commission management stated that no review was performed.

⁴ Section 379.203, Florida Statutes, *Dedicated License Trust Fund*.

⁵ Section 379.354, Florida Statutes.

Absent supervisory review, Commission programs may not be allocated the amounts designated by State law.

Recommendation: We recommend that Commission management ensure the completion of supervisory reviews of the accuracy of the allocations of license and permit fee proceeds and interest earnings.

Finding No. 4: Lifetime Fish and Wildlife Trust Fund

Resources of the Lifetime Fish and Wildlife Trust Fund (LFWTF) are to be used for the purpose of supporting State fish and wildlife conservation programs.⁶ Proceeds from the sale of lifetime freshwater fishing licenses, saltwater fishing licenses, resident hunting licenses, and resident sportsman's licenses are to be deposited into the LFWTF.⁷ As of June 2010, a total of 26,269 lifetime licenses had been issued.

The law provides that only interest earnings accruing to the LFWTF may be expended and that no expenditure or disbursement is to be made from the principal of the LFWTF. The law also requires the Commission to determine actuarially, on an annual basis, the amount of interest earned on the proceeds from the sales of lifetime licenses that may be disbursed. The law further provides that interest income received and accruing from investments earned on the proceeds from the sale of licenses to individuals under the age of 16 years is not to be expended or disbursed for any purpose until the respective holders of such licenses attain the age of 16 years.

The Commission utilized the Interest Apportionment System to mathematically calculate the interest earnings that may be disbursed. As of June 30, 2010, the LFWTF fund balance was approximately \$8.6 million. During the fiscal year ended June 30, 2010, the interest earned totaled \$196,024, and the amount identified as available for expenditure during that period totaled \$172,075. Our audit disclosed significant deficiencies in the Commission procedures used to calculate the amount of interest earnings that were to be made available for expenditure pursuant to State law. Specifically:

- In response to our audit inquiry, Commission management indicated that, contrary to State law, the calculated interest earnings that may be disbursed were not calculated on an actuarial basis, as the necessity for an actuarial determination of the amount of interest that may be annually disbursed was unclear. However, the Commission had not sought Legislative clarification or reconsideration of this requirement. Our audit also disclosed that Commission procedures provided only for the allocation of interest earnings on the proceeds from licensees who had attained the age of 16 years as of the date of license purchase. Commission management stated that, although allowed by law, the interest earned on the proceeds from the sale of lifetime licenses to individuals under the age of 16 years was not expended or disbursed after the individual attained the age of 16 years. Commission management indicated that the amount of interest earnings in the LFWTF associated with individuals who had attained the age of 16 years could not be readily determined.
- Our examination of the interest calculation for February 2010 disclosed that approximately \$1.6 million in lifetime license fees were not included in the interest allocation calculation. The difference was discovered upon comparison of the amount recorded in the Interest Apportionment System to that recorded in the LFWTF as of February 2010. In response to our audit inquiry, Commission management indicated that the Interest Apportionment System included a programming error that excluded lifetime saltwater-only license proceeds from the calculation. Commission management further indicated that the programming error first occurred during the 1999-2000 fiscal year and continued to exist and that due to the nature of the programming error, the impact on the interest allocation could not be readily determined.

Because of the calculation methods used by the Commission, some interest earnings had not been allocated or had been allocated in a manner inconsistent with the requirements of law.

⁶ Section 379.207, Florida Statutes, *Lifetime Fish and Wildlife Trust Fund*.

⁷ Section 379.354(13), Florida Statutes, *Proceeds from the Sale of Lifetime Licenses*.

Recommendation: We recommend that the Legislature consider revising Section 379.207, Florida Statutes, to remove or clarify the requirement that the Commission utilize an actuarial determination to allocate interest income. We further recommend to the Legislature that consideration be given to simplifying Section 379.207, Florida Statutes, by removing the separate treatment of interest income derived from the sale of lifetime licenses to individuals under the age of 16 years. In addition, we recommend that the Commission enhance its procedures to ensure that the appropriate amount of interest earnings is allocated for disbursement in accordance with State law.

Finding No. 5: Alligator Licenses

To be eligible for an alligator license, State law⁸ and Commission rule⁹ provide that applicants may not have been convicted of a violation of illegally taking crocodilian species within the previous 5 years, or 10 years if such conviction related to an endangered crocodilian species. A person holding an alligator license is authorized to operate a facility for captive propagation of alligators; to possess alligators for captive propagation; to take alligator hatchlings and alligator eggs occurring in the wild; to rear such alligators, alligator hatchlings, and alligator eggs in captivity; to process alligators taken or possessed under authority of such alligator farming license or otherwise legally acquired; and to possess, process, and sell alligator hides and meat.

During the period July 2008 through February 2010, the Commission issued 199 alligator licenses with related fees totaling \$26,550. Also, as a direct result of holding an alligator license, during this same period, licensees were able to request and receive from the Commission 125,112 egg permits and hatchling tags, generating Commission fees totaling \$511,029.

Commission-established procedures required that all applications received be entered into the Alligator Licensing System in batches, within which the applications were to be automatically placed in “print” status. Commission staff were to then initiate and run a program designed to automatically match alligator license applicants with applications in “print” status with citations in the Commission’s Division of Law Enforcement System (ArrestNet). If no citations were noted for all the applicants in the batch, a message stating “No Matches Found” was to appear on the Alligator Licensing System screen. The licenses were then to be printed and mailed to the licensees. If any applicants in a batch had been issued a citation, the Alligator Licensing System was to automatically change the status from “print” to “wait,” and the Alligator Licensing System was to produce a report showing the applicants who had been issued citations. For those applicants for whom the search revealed a citation, a copy of the report from the Alligator Licensing System was to be forwarded to the Commission’s Division of Law Enforcement for application approval or denial. Notwithstanding these procedures, in response to our audit inquiry, Commission staff stated that licenses in the “print” status may be printed without being subjected to the ArrestNet match. We also noted that the execution of the Commission’s procedures did not result in documentation showing that an ArrestNet match had been performed for all applicants.

Our examination of documentation related to four alligator farming licenses and one alligator farming agent license disclosed that the Commission was not able to demonstrate, either through the Alligator Licensing System or through an alternative procedure, that the ArrestNet match had been performed prior to license issuance. Absent the performance and documentation of the match, the Commission cannot demonstrate that alligator license applicants were eligible for licensure.

⁸ Section 379.3751, Florida Statutes.

⁹ Commission Rule 68A-25.004, Florida Administrative Code.

Recommendation: We recommend that the Commission revise its process to ensure that licenses cannot be printed without the applicant being cleared through the ArrestNet match or the Division of Law Enforcement. We also recommend the Commission retain evidence showing that the ArrestNet match was performed and considered in the licensing process.

Commercial Licensing and Permitting

Finding No. 6: Revenue and Expenditure Tracking

Before commercially harvesting any marine fish or other saltwater products in Florida, a saltwater products license and related restricted species endorsements must be obtained. Saltwater products include any marine crab or lobster.

Stone Crab

State law¹⁰ provides that \$25 of each \$125 stone crab endorsement fee must be used solely for trap retrieval. In addition, State law¹¹ provides that up to 50 percent of the revenue generated from stone crab endorsement fees, surcharges, civil penalties and fines, and equitable rent may be used for operations and administration of the Stone Crab Trap Limitation Program. All remaining revenues must be used for trap retrieval, management of the stone crab fishery, public education activities, evaluation of the impact of trap reductions on the stone crab fishery, and enforcement activities in support of the Stone Crab Trap Limitation Program. State law¹² also provides that the Stone Crab Trap Limitation Program is intended to be a self-supporting program funded from the proceeds generated by the Program.

Blue Crab

State law¹³ provides that \$25 of each \$125 transferable and nontransferable endorsement fee collected for taking of hard-shell blue crabs and \$25 of each \$250 endorsement fee collected for taking of soft-shell blue crabs must be used solely for trap retrieval. In addition, State law¹⁴ provides that up to 50 percent of the revenue generated from blue crab endorsements, trap tags, and administrative penalties may be used for operations and administration of the Blue Crab Effort Management Program. All remaining revenues generated may be used for trap retrieval; management of the blue crab fishery; and public education activities, research, and enforcement activities in support of the Blue Crab Effort Management Program.

Spiny Lobster

State law¹⁵ provides that \$25 of each \$125 spiny lobster endorsement fee collected must be used only for trap retrieval. Fifty percent of the remaining fee collected shall be used for enforcement activities and 50 percent for administration of the trap certificate program, research and monitoring of the spiny lobster fishery, and enforcement and public education activities in support of the Spiny Lobster Program and evaluation of the trap reduction schedule. In addition, State law¹⁶ provides that spiny lobster transfer fees and surcharges, annual trap certificate fees, and recreational tag fees shall be used for administration of the trap certificate program, research and monitoring of the

¹⁰ Section 379.365(1)(a), Florida Statutes.

¹¹ Section 379.365(1)(e), Florida Statutes.

¹² Section 379.365(1)(f), Florida Statutes.

¹³ Section 379.366(3)(a), Florida Statutes.

¹⁴ Section 379.366(3)(d), Florida Statutes.

¹⁵ Section 379.367(2)(b), Florida Statutes.

¹⁶ Section 379.3671(5), Florida Statutes.

spiny lobster fishery, and enforcement and public education activities in support of the Spiny Lobster Program and evaluation of the trap reduction schedule; however, at least 15 percent shall be used for evaluating the impact of the trap reduction schedule.

For the 2008-09 and 2009-10 State fiscal years, the Commission’s CSLS reported Stone Crab revenues totaling \$781,071 and \$761,529, Blue Crab revenues totaling \$288,000 and \$258,812 and Spiny Lobster revenues totaling \$665,157 and \$648,838, respectively. To ensure compliance with the specific requirements in State law, a method for tracking both the fees generated and the expenditures funded by the Stone Crab, Blue Crab, and Spiny Lobster Programs should be in place.

Our tests disclosed that, although the Commission had a process in place for tracking revenues allocated to various programs, detailed accounts showing how the generated revenue was used by the Commission to comply with State law was not maintained. Therefore, the Commission could not document or demonstrate that moneys generated by the endorsement fees discussed above (Stone Crab, Blue Crab and Spiny Lobster) were used as outlined in State law. The failure to track expenditures and equity balances at a detailed program level also limits the Commission’s ability to demonstrate whether the Stone Crab Trap Limitation Program was entirely supported by the proceeds generated by the Program.

Recommendation: We recommend that the Commission develop a process to track the use of revenue generated under the Stone Crab, Blue Crab, and Spiny Lobster Programs to allow a demonstration that the generated revenue was used in accordance with State law. We also recommend that the Commission ensure that documentation is maintained to evidence that the Stone Crab Trap Limitation Program is self-supporting.

Customer Service

Finding No. 7: Commission Web Site Information

As discussed in the **BACKGROUND** section of this report, the Commission issues approximately 300 different types of licenses and permits for a wide range of activities. To help inform the public of the various licenses and permits issued by the Commission, the Commission developed the License and Permit Information System (LPIS) which became accessible to the public in July 2009 through the Commission Web site. LPIS allows users to search and identify general license and permit information. The information provided for public review includes the purpose of the license or permit, related costs, exemptions, authority for the license or permit (by reference to the applicable Florida Statute or Florida Administrative Code) and *Additional Information* and *How to Apply for this License* links.

Our review of Commission procedures and information contained in LPIS disclosed that the Commission did not always maintain accurate, complete, and valid information for all licenses and permits and the Commission had not established procedures requiring and documenting the periodic review of the accuracy, completeness, and validity of the information provided by LPIS and the correction of any noted errors. Our audit disclosed that for 13 of the 20 licenses or permits examined, the license or permit information in LPIS was inaccurate, incomplete, or invalid. For example, for the Management Area Permit – Five Year (residents only), LPIS did not include a cite to the Florida Statutes associated with the issuance fee or reference the \$1.50 issuance fee in the permit cost, and the *How to Apply for this License* link was invalid in that it did not provide a means for applying for the license. In another example related to the License to Possess or Exhibit Venomous Reptiles, LPIS listed the amount of the required bond as \$1,000 when it should have been \$10,000, failed to cite the Florida Statute associated with the bond requirement, and listed an

outdated reference to the Florida Administrative Code. Subsequent to our audit inquiry, Commission staff made the necessary updates to LPIS.

The lack of accurate, complete, and valid information leads to the dissemination of misinformation concerning license requirements, costs, exemptions, and may hinder the public's ability to obtain a license or permit.

Recommendation: We recommend that the Commission establish and implement procedures for the periodic review of LPIS information. Such procedures should include a timeframe for, and documentation of, the review and any required LPIS corrections.

Information Technology Controls

Information technology (IT) controls are specific activities performed by individuals or systems to ensure that business objectives are met and the confidentiality, integrity, and availability of data and IT resources are maintained. IT controls consist of general controls and application controls. General controls are those that apply overall to an organization's information systems and include, but are not limited to, policies and procedures addressing access to programs and data, program development, and program changes. Application controls refer to transaction processing controls for unique IT applications. Our audit included a review of selected Commission general controls and application controls.

Finding No. 8: Management of User Access Privileges – Licensing Systems

Effective security controls include access controls to reasonably ensure that users have only the system access privileges needed to perform their duties, access to sensitive resources is limited to only a few users, and users are restricted from performing incompatible functions. Access controls include the use of individual user identification codes and passwords to identify and authenticate the user, and the periodic change of passwords. The risk of the assignment of inappropriate or unnecessary access privileges can be reduced through the implementation of controls that require documentation of authorizations for system access, periodic reviews of the continuing appropriateness of access privileges, prompt removal of the access privileges when no longer warranted, the periodic change of individual passwords, and the deletion of access when employees terminate employment.

Commission policy requires each user of a system that can be accessed by multiple users be assigned a unique user name and password and provides that passwords should not be shared with anyone. The policy also requires a user's access to be immediately removed from the system when the user terminates employment with the Commission or the user transfers to another position. To implement this policy, Commission procedures include a requirement for the completion of a checklist when an employee separates from Commission employment. The checklist includes a step to contact the IT Help Desk to delete access to the Commission network, although it does not include a step to delete access to specific applications. Our tests of the system access security controls for selected systems disclosed:

- **TLS** – The Commission had not established procedures for documenting the request, approval, modification, or deletion of TLS user access. In addition, our tests disclosed that there were no TLS reports available to provide information regarding user access additions, modifications, deletions, or security exceptions. Absent procedures for monitoring user access and documenting user access activities, the Commission has limited assurance that violations or exceptions, should they occur, will be timely detected.
- **Disability Licensing System** – As of June 2010, two former employees' access privileges to the Disability Licensing System had not been removed 1,120 and 1,792 days, respectively, after the employees had separated from Commission employment. Commission records for both employee user accounts reflected activity after the employees' separation dates. In response to our audit inquiry, Commission management indicated that

the activity related to current employees who were allowed to access the System using former employees' user identifications and passwords.

- **Lifetime and Five-Year Licensing System** – As of June 2010, three former employees' access privileges to the Lifetime and Five-Year Licensing System had not been removed 273, 1,120, and 1,377 days, respectively, after the employees had separated from the Commission. Since an activity log was not maintained in the Lifetime and Five-Year Licensing System, Commission records were not available to demonstrate that the three employees' user accounts had not been utilized subsequent to the employees' separation dates.
- **CCWS** – Two CCWS users, who did not require update access to perform their assigned job duties, and who were not assigned update privileges, were, however, able to perform update functions. In response to our audit inquiry, Commission staff stated that the guest user role assigned to these users had not been restricted from the administrative access that allowed the users to have update access to some functions. Subsequent to our audit inquiry, Commission staff stated that an emergency change order had been initiated to correct this deficiency.
- **Alligator System** – As of June 2010, one former employee's Alligator System access privileges had not been removed although 272 days had elapsed since the employee had separated from Commission employment. Alligator System access privileges for another former employee were still active as of June 2010 although, according to Commission staff, the employee had terminated employment in 2006. In addition, another user had been given access to the production environment of the Alligator System, although his position did not require such access.

Recommendation: We recommend that the Commission adopt procedures that include documentation requirements for the approval of user access privileges and efforts to monitor user access activity. We also recommend that the Commission follow established procedures requiring unique user names and passwords and enhance procedures to ensure employee access to each application is timely removed upon an employee's separation from Commission employment.

Finding No. 9: Change Management Controls – Licensing Systems

Modifications to existing information technology programs may be necessary to correct problems or to add, delete, or replace functionality. Effective change management controls include written procedures that describe all change management processes for system modification. Such procedures should establish proper separation of staff responsibilities involved with the change management process and should require appropriate documentation of requests and authorizations for system modifications, programming, testing, user acceptance, and movement of changes into live production. The risk exists that without proper documentation of system modifications, Commission management cannot be assured that system changes are properly designed, tested, and implemented.

Our audit of the Commission's change management process, including the associated documentation available for changes that were made during the period July 2008 through February 2010, disclosed the following related to CSLS and CCWS:

- For 7 of the 8 CSLS program changes we reviewed, the Commission had not adequately documented the program change. Four of the 8 program changes had no associated documentation.
- For one of the 17 CCWS program changes we reviewed, the Commission had not of record documented the testing and user acceptance of the modification prior to moving the change into production. In addition, the modification was moved into production by the programmer rather than by an individual not involved with the program change.

Absent maintenance of sufficient documentation, the risk is increased that erroneous or unauthorized program changes may be placed in production and not timely detected.

Recommendation: We recommend that the Commission enhance its procedures to ensure that sufficient documentation is maintained for CSLS and CCWS program changes to evidence the user's request, approval of the change request, programming, testing, user acceptance, and approval of the movement of the changes into the live production environment.

Finding No. 10: Multiple Licensing and Permitting Systems

As noted in the **BACKGROUND** section of this report, the Commission utilizes multiple systems to process and account for licenses and permits issued. In response to our audit inquiry, Commission management indicated that a study had not been conducted to determine whether migrating to a single licensing and permitting system, or fewer systems, would be cost-effective.

The use and maintenance of a single licensing and permitting system, or a reduction in the number of systems used to process and account for licenses and permits, may better facilitate the efficient and cost-effective processing of Commission-issued licenses and permits.

Recommendation: We recommend that the Commission conduct a feasibility study to determine the cost-effectiveness of utilizing a single licensing and permitting system or, as an alternative, reducing the number of systems used to process and account for licenses and permits issued by the Commission.

Finding No. 11: FLAIR Access

The Commission had not developed written procedures for the management of FLAIR access privileges. The Commission uses FLAIR to provide authorizations for payments of Commission obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect any improper or unauthorized use of FLAIR. Accordingly, FLAIR access should be: (1) limited to properly authorized employees; (2) appropriate for the employees' assigned duties and responsibilities; and (3) promptly revoked when employees separate from the Commission or are reassigned. Our review also disclosed that:

- The Commission assigned FLAIR access privileges based on the Commission's *Access Control Inquiry by Position Guidelines*, rather than on assigned job duties and responsibilities as outlined in the employee's position description. The *Guidelines* are not procedures but are individual documents showing the FLAIR access to be assigned based on applicable section (e.g., Disbursements) and position assignment. Our review disclosed that the use of the *Guidelines* when assigning FLAIR access privileges, led to the assignment of FLAIR access privileges (as of February 2010) that were incompatible with the duties assigned to 29 of the 41 Commission employees who performed high risk financial management functions. Specifically:
 - Six employees had unneeded State Chief Financial Officer Files function (SC) access which allowed the employee to add or update disbursement and receipt accounts.
 - Seven employees had update access to both the Disbursement function (DB) used to record cash disbursements and the Vendor File functions (VE and VC).
 - Eleven employees had update access both to the Fixed Assets - Accounting function (FA) used to record property transactions and transfers and to the Custodial function (FC) used to access and maintain the property masterfile.
 - Twenty-one employees had update access to both the Disbursement (DB) and Cash Receipts (CR) functions.
- For 5 employees, access privileges had been granted to FLAIR functions that were not necessary to carry out the employees' duties and responsibilities, as outlined in the employees' position descriptions. For example,

one employee was granted access to update and add vendors; however, the employee's position description did not include this as a duty or responsibility.

- FLAIR access privileges were not timely deleted for 34 of the 43 employees who separated from Commission employment during the period July 2008 through February 2010 and, as of February 2010, 22 of the employees still had FLAIR access. For the employees whose FLAIR access had been deleted, 5 to 392 days had elapsed between the employees' separation dates and the dates the Commission deleted the FLAIR access privileges. Delays in deleting FLAIR access privileges could lead to unauthorized or erroneous transactions being entered into Commission accounting records.

Recommendation: The Commission should develop written policies and procedures for the management of FLAIR access privileges. Such procedures should require routine reviews of the appropriateness of employee FLAIR access privileges and prescribe a process for ensuring that the access privileges of all former employees are timely removed upon termination.

Other Administrative Issues

Finding No. 12: Tangible Personal Property

To facilitate proper accountability for and safeguarding of tangible personal property, rules adopted by the State's Chief Financial Officer (CFO) require that State agencies complete an annual physical inventory of property.¹⁷ As part of the annual physical inventory, State agencies are required to compare the results of the physical inventory to the detailed property records, identify and investigate discrepancies, and make adjustments to the detailed property records, as necessary.

To implement the CFO rules, the Commission established *Property* procedures¹⁸ that require, among other activities, the performance of annual physical inspections of Commission property. The procedures¹⁹ stipulate that, if property is noted as lost, missing, destroyed, or potentially stolen, the employee is to complete a *Notification of Missing Property* form (PC-201 Form) which is to be sent to the Asset Management Section (Property Section) within 14 days. The Property Section is to then forward the PC-201 Form to the Office of the Inspector General (OIG) for investigation. The OIG is to report the investigation results to the appropriate Division or Office Director and provide a copy to the Property Section. If the investigation results indicate that the property may have been stolen, the OIG is to require the property custodian to file a police report with the applicable local law enforcement agency. In addition, Commission procedures require that if a firearm is reported as lost, stolen, or missing, the completed PC-201 Form is to be forwarded by the property custodian to the Investigations Coordinator within the Division of Law Enforcement for verification and relevant information is to be recorded in the National Crime Information Center/Florida Crime Information Center (NCIC/FCIC) computer system. The Investigations Coordinator is also to note on the PC-201 Form that the information has been verified and entered into the NCIC/FCIC computer system; sign and date the PC-201 Form; and return the Form to the Property Section immediately.

At the completion of the 2008-09 fiscal year annual physical inventory, 169 items with acquisition costs totaling \$408,947, were noted as missing. As part of our audit, we reviewed Commission documentation for 25 missing property items, with acquisition costs totaling \$127,717. As discussed below, Commission personnel did not always comply with the above-noted CFO rules and Commission procedures regarding the timely investigation of missing property items. Specifically:

¹⁷ Department of Financial Services Rule 69I-72.006, Florida Administrative Code.

¹⁸ Section 5.8, *Property*, Internal Management Policies and Procedures.

¹⁹ Section 5.8.7, *Lost, Stolen, Missing or Destroyed Property*, Internal Management Policies and Procedures.

- For 2 items, the completed PC-201 Form was not submitted to the Property Section within 14 days. The forms were submitted 36 and 264 days after the items were noted as missing. For 21 items, the PC-201 Form failed to include the date the item was determined to be missing. As a result, the Commission was unable to demonstrate that missing items were timely reported to the Property Section for resolution.
- For 15 items, the PC-201 Form failed to evidence all the required dates and signatures of Commission staff involved in the process. For example, the PC-201 Forms for 3 items did not provide the date of and signature evidencing supervisory review. Other signatures missing were for the Employee/Custodian Delegate, Organization Code Custodian, and Property Administrator. Absent the signatures, Commission documentation did not demonstrate that the Commission procedures had been fully executed.
- For all 25 items (including a scanner, mower, boat motor, computers, portable radios, and a rifle), documentation was not maintained to demonstrate that the results of the OIG investigations were reported to the appropriate Division or Office Director and Property Section. For 16 items, no documentation of the OIG investigation results was available.
- In the one instance noted above related to a missing rifle, 81 days elapsed from the date the firearm was identified as missing until Commission management provided the PC-201 Form to the Investigations Coordinator. Therefore, verification and the entry of relevant information in the NCIC/FCIC computer system were delayed by 81 days.

We also noted that Commission procedures did not address the supporting documentation to be included with the PC-201 Form and that the Property Section had not established a procedure for reviewing the PC-201 Forms for completeness upon receipt. Absent the timely and documented execution of Commission procedures, there is reduced assurance that the loss of assets and record errors will be timely detected, investigated, and appropriate actions taken.

Recommendation: We recommend that Commission procedures be enhanced to require that a specific date be recorded on the PC-201 Form showing when a property item was determined to be missing and that all appropriate Commission personnel sign and date the PC-201 Form. We also recommend that the OIG maintain documentation of investigations of missing property and the notification of investigation results to the appropriate Division or Office Director.

PRIOR AUDIT FOLLOW-UP

The Commission had taken corrective actions for the findings included in audit report Nos. 2009-021 and 2009-083.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2010 to August 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on the Office of Licensing and Permitting. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies disclosed in our report Nos. 2009-021 and 2009-083.

In conducting our audit, we:

- Evaluated the Commission's Information Technology framework through inquiry, observation, data analysis, and other procedures to determine whether an appropriate framework and controls were in place.

Recreational Licensing and Permitting

- Obtained an understanding and tested the effectiveness of internal controls applicable to the Commission's recreational licensing and permitting processes in relation to:
 - The Total Licensing System (TLS), Disability Licensing System, and Lifetime and Five-Year Licensing System.
 - Issuing and recording recreational licenses and permits.
 - The agent application process.
 - Collecting, depositing, and recording fee revenues.
 - Allocating fee collections to Commission accounts.
 - Accounting for voided licenses and permits and refunds.
- Examined the contract and amendments between the Commission and the IT system developer responsible for TLS to determine that the contract and amendments were properly authorized and executed.
- Tested six transaction fee payments made to the TLS vendor during the period July 2008 through February 2010, and totaling \$1,269,506, to determine that transaction fees were calculated and billed in accordance with contract terms and that payments for transaction fees were properly authorized and timely remitted.
- Tested Commission employee access to the applicable systems. Specifically, we tested the access for eight employees with access to TLS, four employees with access to the Disability Licensing System, and six employees with access to the Lifetime and Five-Year Licensing System.
- Tested two system changes/revisions, one for the Disability Licensing System and one for the Lifetime and Five-Year Licensing System, to determine whether the Commission documented the proper approval, programming, testing, user acceptance, and approval of the movement of the changes into the live production environment.
- Tested 80 TLS license and permit issuances, with related fees totaling \$3,178, to determine whether the licenses and permits were issued in accordance with applicable regulations; appropriate fees were received, deposited, and recorded to the appropriate Commission fund; and fees collected were appropriately allocated in accordance with statutory regulations.
- Tested 44 agent files to determine whether the agents were bonded and properly approved.

- Tested five no-fee license and permit issuances from the Disability Licensing System to determine whether the licenses and permits were issued in accordance with applicable regulations.
- Reviewed 21 quota hunt and limited entry hunt application worksheets to determine whether licensees and agents were properly instructed on the retention of sensitive information.
- Tested 20 licenses recorded as voided in TLS to determine whether the Commission had properly accounted for voided licenses.
- Tested activity within the Dedicated Trust Fund for February 2010 to determine if receipts (license fees, permit fees, replacement fees, and interest earnings) were properly allocated to the State Game Trust Fund and the Marine Resources Conservation Trust Fund.
- Tested the Lifetime Fish and Wildlife Trust Fund interest income allocation for February 2010 to determine if the apportionment was made in accordance with Section 379.207, Florida Statutes.

Commercial Licensing and Permitting

- Obtained an understanding and tested the effectiveness of internal controls applicable to the Commission's commercial licensing and permitting processes in relation to:
 - The Commission network, Commercial Saltwater Licensing System (CSLS), Commercial Captive Wildlife System (CCWS), and Alligator System.
 - Issuing and recording commercial licenses and permits.
 - Collecting, depositing, and recording fee revenues.
 - Allocating fee collections to Commission accounts and other agencies, when applicable.
 - Accounting for voided licenses and permits and refunds.
- Tested Commission employee access to the applicable commercial licensing systems. Tested the access for five employees with access to the Commission network, 14 employees with access to CSLS, 10 employees with access to CCWS, and five employees with access to the Alligator System.
- Tested nine system change/revisions, eight for CSLS and one for CCWS, to determine whether the Commission documented the proper approval, independent programming, independent testing, user acceptance, and approval of the movement of the changes into the live production environment.
- Tested 80 license and permit issuances (55 from CSLS, 10 from CCWS, and 15 from the Alligator System) with related fees totaling \$38,541 to determine whether the issuances were in accordance with applicable regulations; appropriate fees were received, deposited, and recorded to the appropriate Commission account; and, as applicable, collections were correctly transferred to the appropriate authorized Department of Agriculture and Consumer Services' bank account.
- Tested 12 voided transactions (10 from CSLS, one from CCWS, and one from the Alligator System) to determine whether the Commission properly accounted for voided licenses and permits.
- Tested 12 refunds (five from CSLS, two from CCWS, and five from the Alligator System) totaling \$88,250 to determine whether the refunds were properly supported and recorded.

Customer Service

- Tested 10 publication requests from Commission-registered agents to determine whether the Commission maintained documentation of the request for publication, complaints received regarding publication requests, and corrective actions taken.
- Tested 20 items of information included on the Commission's Web site to evaluate the accuracy, completeness, and validity of the information provided.
- Tested Commission responses to 20 unique customer questions to determine the timeliness of the responses.

Other Administrative Issues

- Evaluated the Commission's process for managing FLAIR access privileges.
- Evaluated Commission policies and procedures for managing tangible personal property.
- Examined investigation documentation for 25 of the 169 property items reported as missing during the 2008-09 fiscal year physical inventory to determine whether Commission personnel complied with CFO rules and Commission procedures regarding the reporting, investigating, and resolution of missing property items. The acquisition costs for the 25 items selected for testing totaled \$127,717.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Communicated on an interim basis with applicable Commission officials to ensure the timely resolution of issues involving controls and noncompliance.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

In a response letter dated May 24, 2011, the Commission of the Department provided a response to our audit findings and recommendations. The Commission's response is included as **EXHIBIT A**.

EXHIBIT A
MANAGEMENT RESPONSE



Florida Fish
and Wildlife
Conservation
Commission

May 24, 2011

Commissioners
Rodney Barreto
Chairman
Miami
Richard A. Corbett
Vice Chairman
Tampa
Kathy Barco
Jacksonville
Ronald M. Bergeron
Fort Lauderdale
Dwight Stephenson
Delray Beach
Kenneth W. Wright
Winter Park
Brian S. Yablonski
Tallahassee

David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Please find enclosed our response to the preliminary and tentative audit findings and recommendations from your recent operational audit: *Florida Fish and Wildlife Conservation Commission, Office of Licensing and Permitting, and Prior Audit Follow-up.*

We appreciate the constructive comments and technical assistance provided by your staff. If further information is required, please contact Trevor Phillips, Director of Auditing, at (850) 488-6068.

Executive Staff
Nick Wiley
Executive Director
Greg Holder
Assistant Executive Director
Karen Ventimiglia
Deputy Chief of Staff

Sincerely,

Nick Wiley
Executive Director

Office of the
Executive Director
Nick Wiley
Executive Director

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**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

RECREATIONAL LICENSING AND PERMITTING	
Finding Number:	1
Finding:	The Commission had not developed procedures for reconciling the licenses and permits sold and recorded in the Total Licensing System (TLS) to the related fees deposited into the State Treasury and recorded in Commission accounting records.
Recommendation:	We recommend that the Commission enhance reconciliation procedures to include reconciling the amount of fees for each type of license and permit recorded as sold in TLS to the amount of funds electronically transmitted to the State Treasury and recorded in FLAIR.
FWC Response and Corrective Action Plan	<p>The Commission concurs in principle with this finding. Since licenses and permits are sold at over 800 Tax Collectors' offices and retailer locations statewide, for the Commission to be fully compliant would require that we capture each transaction at its source and develop and operate a system that duplicates the functions of the TLS, which we have determined is not cost effective. The Commission believes that it has developed processes that at least mitigate the severity of this finding. These mitigating processes are:</p> <ol style="list-style-type: none"> 1. Each of the sales locations have the necessary information to verify each license or permit sale to their remittance collected and the amount swept from their bank account to be deposited in the State Treasury. The sales locations do inform the Commission of any real or perceived discrepancies which the Commission then investigates and resolves. 2. TLS has reconciling reports built into the system (FLHF967 "ACH Agents - Privilege Sales for ACH Effective mm/dd/yyyy"). This report provides information in summary (statewide), by agent type (Tax Collector, Phone, Internet, Agent), as well as by individual license agent (Wal-Mart #721, Leon County Tax Collector South Monroe Location, Fisherman's Bait and Tackle) at the license/permit level. The figures from this report are used to reconcile the amount deposited into the State Treasury on a weekly basis prior to and after the funds being deposited. The funds are then split by accounting codes and recorded into FLAIR.
Estimated Corrective Action Due Date:	N/A
FWC Contact: Name: Phone Number:	Office of Licensing and Permitting Bill Hunter (850) 921-4071

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

RECREATIONAL LICENSING AND PERMITTING	
Finding Number:	2
Finding:	The Commission assigned incompatible duties to a single employee handling no-fee disability licenses and permits. In addition, the controls over voided and misprinted licenses and permits needed improvement.
Recommendation:	We recommend that the Commission adopt procedures to appropriately separate incompatible duties or provide for independent review of these licensing processes. In addition, we recommend that the Commission implement a process for controlling pre-numbered license and blank permit stock including the reconciliation of all license and permit stock issued, misprinted and voided, or on hand in inventory. Further, we recommend that voided licenses and permits be marked as void.
FWC Response and Corrective Action Plan	The Commission concurs. The current disability license and disability crossbow permit process is dependent on outdated and inadequate FoxPro technology that makes it difficult to separate the duties. The disability license and disability crossbow permit process is scheduled to be rewritten using current technology as Office of Information Technology resources become available. These recommendations will be incorporated into this rewrite and result in separation of duties and improved control of license stock. Current procedures have been changed to require that all voided licenses and permits be marked as void.
Estimated Corrective Action Due Date:	July, 2012
FWC Contact: Name: Phone Number:	Office of Licensing and Permitting Bill Hunter (850) 921-4071

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

RECREATIONAL LICENSING AND PERMITTING	
Finding Number:	3
Finding:	Commission procedures used to allocate the proceeds from the sale of five-year licenses and permits and the associated interest earnings to the Marine Resources Conservation Trust Fund and the State Game Trust Fund were not accurately applied.
Recommendation:	We recommend that Commission management ensure the completion of supervisory reviews of the accuracy of the allocation of license and permit fee proceeds and interest earnings.
FWC Response and Corrective Action Plan	The Commission concurs. We have modified our procedures for calculating and transferring interest earnings. This calculation/transfer is now performed on an annual basis, rather than monthly. The interest earnings are apportioned based on the fund composition (using revenue figures from last 5 years). Commission procedures for calculating and transferring proceeds from the sale of five-year licenses (1/5 Transfer) now include a requirement for supervisory review and signature.
Estimated Corrective Action Due Date:	July, 2011
FWC Contact: Name: Phone Number:	Office of Licensing and Permitting Bill Hunter (850) 921-4071

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

RECREATIONAL LICENSING AND PERMITTING	
Finding Number:	4
Finding:	Commission procedures for allocating the interest earned on the proceeds from the sales of lifetime licenses need improvement. In addition, related provisions of law need clarification.
Recommendation:	(1) We recommend that the Legislature consider revising section 379.207, Florida Statutes, to remove or clarify the requirement that the Commission utilize an actuarial determination to allocate interest income. (2) We further recommend to the Legislature that consideration be given to simplifying section 379.207, Florida Statutes, by removing the separate treatment of interest income derived from the sale of lifetime licenses to individuals under the age of 16 years. (3) In addition, we recommend that the Commission enhance its procedures to ensure that the appropriate amount of interest earnings is allocated for disbursement in accordance with State law.
FWC Response and Corrective Action Plan	The Commission concurs. In relation to the second recommendation, we believe that it may have been the intent of the Legislature to use the interest up to the age of 16 to increase the principal so that the interest after age 16 would more closely reflect the cost of an annual license. The Commission has rewritten the Lifetime allocation system to correct any problems with the fund allocations when distributing the interest annually.
Estimated Corrective Action Due Date:	July 2011
FWC Contact: Name: Phone Number:	Office of Licensing and Permitting Bill Hunter (850) 921-4071

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

RECREATIONAL LICENSING AND PERMITTING	
Finding Number:	5
Finding:	The Commission did not maintain documentation evidencing that alligator licenses were issued only to eligible individuals.
Recommendation:	We recommend that the Commission revise its process to ensure that licenses cannot be printed without the applicant being cleared through the ArrestNet match or the Division of Law Enforcement. We also recommend the Commission retain evidence showing that the ArrestNet match was performed and considered in the licensing process.
FWC Response and Corrective Action Plan	The Commission concurs. The Alligator system currently exists in an outdated and inadequate FoxPro technology that does not produce documentation that the Law Enforcement check has been processed. For the upcoming season, Commission staff will screen print the steps in this process as they occur, and sign/date the printouts verifying the check was processed. Any records produced as a result of this check will be copied and maintained along with the screen prints. Any records produced as a result of this check will also be faxed to FWC Law Enforcement for response, and copies of all correspondence maintained along with the screen prints and identified records. Alligator licensing is currently being removed from the FoxPro system and rewritten in current technology. The Commission expects this new system to be in place before the 2012 Statewide Alligator Harvest. The new system will provide and maintain adequate documentation and audit logs of the Law Enforcement check.
Estimated Corrective Action Due Date:	June, 2011
FWC Contact: Name: Phone Number:	Office of Licensing and Permitting Bill Hunter (850) 921-4071

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

COMMERCIAL LICENSING AND PERMITTING	
Finding Number:	6
Finding:	For the Stone Crab, Blue Crab, and Spiny Lobster Programs, the Commission did not track expenditures and equity balances at a detailed level to ensure that moneys generated from each of the programs were used in accordance with State law.
Recommendation:	We recommend that the Commission develop a process to track the use of revenue generated under the Stone Crab, Blue Crab, and Spiny Lobster Programs to allow a demonstration that the generated revenue was used in accordance with State law. We also recommend that the Commission ensure that documentation is maintained to evidence that the Stone Crab Trap Limitation Program is self-supporting.
FWC Response and Corrective Action Plan	The Commissions concurs. The Chief Financial Officer will establish detailed revenue, expenditure, and balance tracking for Stone Crab, Blue Crab and Spiny Lobster revenues, and will maintain them for as long as the revenue streams remain in effect. The stone crab balance tracking document will also serve as evidence to show whether or not the Stone Crab Trap Limitation Program is self supporting.
Estimated Corrective Action Due Date:	July 2011
FWC Contact: Name: Phone Number:	Finance and Budget Office Sandra Wilson, CFO (850) 528-5230

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

CUSTOMER SERVICE	
Finding Number:	7
Finding:	The Commission's Web site did not provide for licenses and permits accurate, complete, and valid consumer information.
Recommendation:	We recommend that the Commission establish and implement procedures for the periodic review of LPIS information. Such procedures should include a timeframe for, and documentation of, the review and any required LPIS corrections.
FWC Response and Corrective Action Plan	The Commission concurs. FWC has reviewed the current information in LPIS and corrected any errors found. We have implemented a process to ensure timely updates. The agency wide Permitting Team has made the continual review of LPIS one of its responsibilities.
Estimated Corrective Action Due Date:	May, 2011
FWC Contact: Name: Phone Number:	Office of Licensing and Permitting Bill Hunter (850) 921-4071

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

INFORMATION TECHNOLOGY CONTROLS	
Finding Number:	8
Finding:	The Commission had not established procedures for documenting the request, approval, modification, or deletion of user access to Commission information technology resources. In addition, the Commission did not timely delete employee access upon an employee's separation from Commission employment.
Recommendation:	We recommend that the Commission adopt procedures that include documentation requirements for the approval of user access privileges and efforts to monitor user access activity. We also recommend that the Commission follow established procedures requiring unique user names and passwords and enhance procedures to ensure employee access to each application is timely removed upon an employee's separation from Commission employment.
FWC Response and Corrective Action Plan	<p>The Commission concurs. FWC is reviewing applicable sections of the Internal Management Policies and Procedures Manual (IMPP) to ensure policies and procedures regarding information technology resources are consistent with recommendations from this audit as well as Florida Statutes, Florida Administrative Code, and Agency for Enterprise Information Technology security recommendations.</p> <p>Section 3.3.3 (f) of the FWC IMPP includes the requirement: "A user's access authorization shall be immediately removed from the system when the user's employment is terminated or the user transfers to a position where access to the system is no longer required." FWC utilizes e-forms for requesting initial user access, changing access levels and deleting user access. All such requests and associated workflow steps are stored in SharePoint.</p> <p>However, user access change and deletion requests are not always submitted in a timely manner by the supervisors of terminated and reassigned employees. FWC's Office of Information Technology will coordinate with our Human Resources Office to develop procedures and training to facilitate timely changes to and deletions of user access.</p>
Estimated Corrective Action Due Date:	September, 2011
FWC Contact: Name: Phone Number:	Office of Information Technology Sara Dugger (850) 617-6020

EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)

Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General

INFORMATION TECHNOLOGY CONTROLS	
Finding Number:	9
Finding:	Change management controls relating to the Commercial Capture Wildlife System and the Commercial Saltwater Licensing System need enhancement.
Recommendation:	We recommend that the Commission enhance its procedures to ensure that sufficient documentation is maintained for CSLS and CCWS program changes to evidence the user's request, approval of the change request, programming, testing, user acceptance, and approval of the movement of the changes into the live production environment.
FWC Response and Corrective Action Plan	The Commission concurs. FWC will modify our change management procedures to require that documentation is maintained for all program changes to evidence the user's request, approval of the change request, programming, testing, user acceptance, and approval of the movement of the changes into the live production environment. The change management form will be modified to include the documentation as a required prerequisite to change management approvals.
Estimated Corrective Action Due Date:	September, 2011
FWC Contact: Name: Phone Number:	Office of Information Technology Sara Dugger (850) 617-6020

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

INFORMATION TECHNOLOGY CONTROLS	
Finding Number:	10
Finding:	The Commission should study the cost-effectiveness of utilizing fewer systems to facilitate the processing of Commission-issued licenses and permits.
Recommendation:	We recommend that the Commission conduct a feasibility study to determine the cost-effectiveness of utilizing a single licensing and permitting system or, as an alternative, reducing the number of systems used to process and account for licenses and permits issued by the Commission.
FWC Response and Corrective Action Plan	The Commission concurs. The Lifetime/5-Year system was removed from FoxPro and now exists on a more advanced technology platform. The Alligator System is in the process of being removed from FoxPro and consolidated into the Commercial/Captive Wildlife System. The “free permits” that currently exist in three separate systems (one of which is old FoxPro technology) are in the process of being consolidated into one system. The Office of Licensing and Permitting in coordination with the Office of Information Technology will review systems annually, determine the usability of consolidation of systems, and determine work plans as appropriate.
Estimated Corrective Action Due Date:	July, 2011
FWC Contact: Name: Phone Number:	Office of Licensing and Permitting Bill Hunter (850) 921-4071

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

INFORMATION TECHNOLOGY CONTROLS	
Finding Number:	11
Finding:	The commission had not developed procedures for the management of Florida Accounting Information Resource Subsystem (FLAIR) access privileges.
Recommendation:	The Commission should develop written policies and procedures for the management of FLAIR access privileges. Such procedures should require routine reviews of the appropriateness of employee FLAIR access privileges and prescribe a process for ensuring that the access privileges of all former employees are timely removed upon termination.
FWC Response and Corrective Action Plan	The Commission concurs. Since the completion of the audit, appropriate policies and procedures have been developed to manage FLAIR access privileges.
Estimated Corrective Action Due Date:	Completed
FWC Contact: Name: Phone Number:	Finance & Budget Office Whit Springfield (850) 251-1789

**EXHIBIT A
MANAGEMENT RESPONSE (CONTINUED)**

**Florida Fish and Wildlife Conservation Commission
Operational Audit of the Office of Licensing and Permitting
And Prior Audit Follow-up by the Auditor General**

OTHER ADMINISTRATIVE ISSUES	
Finding Number:	12
Finding:	Commission personnel did not always comply with applicable rules and procedures related to the investigation of instances in which tangible personal property items are not located during an annual physical inventory of property.
Recommendation:	We recommend that Commission procedures be enhanced to require that a specific date be recorded on the PC-201 Form showing when a property item was determined to be missing and that all appropriate Commission personnel sign and date the PC-201 Form. We also recommend that the OIG maintain documentation of investigations of missing property and the notification of investigation results to the appropriate Division or Office Director.
FWC Response and Corrective Action Plan	The Commission concurs. Since the completion of this audit the Commission has implemented an automated workflow for missing property items that requires the custodian to complete all required information on a missing item and the electronic form is automatically routed to all parties that are required in the process, including the OIG.
Estimated Corrective Action Due Date:	Completed
FWC Contact: Name: Phone Number:	Finance & Budget Office Whit Springfield (850) 251-1789