

**REPORT OF THE AUDIT OF THE  
FISH AND GAME FUND OF THE  
KENTUCKY DEPARTMENT OF  
FISH AND WILDLIFE RESOURCES**

**Made Pursuant To  
KRS 150.152**

**For the Fiscal Year Ended  
June 30, 2021**



**MIKE HARMON  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

Kentucky Legislature's Interim Joint Committee  
on Natural Resources and Environment  
Kentucky Department of Fish and Wildlife Resources Commission  
Rich Storm, Commissioner  
Kentucky Department of Fish and Wildlife Resources

**Independent Auditor's Report**

***Report on the Financial Statement***

We have audited the accompanying Statement of Revenue Sources - Modified Cash Basis for the Fish and Game Fund of the Kentucky Department of Fish and Wildlife Resources (KDFWR), for the year ended June 30, 2021, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

KDFWR's management is responsible for the preparation and fair presentation of this financial statement in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the



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appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue sources of the Fish and Game Fund, for the year ended June 30, 2021, on the basis of accounting described in Note 2.

### ***Basis of Accounting***

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022, on our consideration of KDFWR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the KDFWR's internal control over financial reporting and compliance.

Respectfully submitted,



Farrah Petter, CPA  
Assistant Auditor of Public Accounts

April 6, 2022

## **FINANCIAL STATEMENT**





**KENTUCKY DEPARTMENT OF FISH AND WILDLIFE RESOURCES  
STATEMENT OF REVENUE SOURCES - MODIFIED CASH BASIS  
FISH AND GAME FUND**

**For The Year Ended June 30, 2021**

Revenues:

Hunting and Fishing Licenses	\$ 34,858,556
Motor Boat Registration Fees and Dealer Licenses	7,022,229
Interest Income	2,757
Fines, Fees, Rentals and General Sales	924,122
Fish and Game Law Enforcement Fines	123,973
Fish and Wildlife Educational Program	31,066
Private Grants, Donations, and Gifts	393,921
Proceeds From Asset Disposition	358,884
Fish and Wildlife Hunter for the Hungry	181
Program Income	162,174
Miscellaneous Revenues	941,128

Total Revenues

\$ 44,818,991

The accompanying notes are an integral part of the financial statement.

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## **NOTES TO THE FINANCIAL STATEMENT**



**KENTUCKY DEPARTMENT OF FISH AND WILDLIFE RESOURCES**  
**NOTES TO THE FINANCIAL STATEMENT**  
**JUNE 30, 2021**

**Note 1 - Organization**

The Kentucky Department of Fish and Wildlife Resources (KDFWR) is organized as an agency of the Commonwealth of Kentucky, with the mission to conserve and enhance fish and wildlife resources and provide opportunities for hunting, fishing, trapping, boating, and other wildlife related activities. KRS 150.152 requires an annual audit of KDFWR, specifically to: a) examine the separate revenue streams of each account within KDFWR's Fish and Game Fund; b) to disaggregate and report the revenues and expenditures, by type, within the Program Income Fund of the Fish and Game Fund; c) identify internal controls, weaknesses, operating inefficiencies, and make recommendations for improvements; and, d) submit a written report to the Interim Joint Committee on Natural Resources and Environment.

The Department of Fish and Wildlife Resources Commission (Commission) oversees KDFWR's operations and is made up of nine members, one from each wildlife district, as appointed by the Governor in accordance with KRS 150.022. As the oversight authority of KDFWR, the Commission advises the commissioner to take actions as may be beneficial to the department and in the interest of wildlife and conservation of natural resources.

**Note 2 - Basis of Presentation and Accounting Policies**

Basis of Presentation

The accompanying financial statement has been prepared on a cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues are recognized when cash is received and expenditures are recorded when paid. The application of KRS 45.229 provides that for a period of thirty (30) days after the close of any fiscal year (FY), warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Revenue Recognition

As noted above, revenues under the cash basis of accounting are recognized when cash is received. The primary sources of revenue for the funds presented are hunting and fishing license fees and boat registration fees for the Fish and Game Fund. Total revenues without cash transfers received were \$41,370,131 in FY 2020 and \$44,818,991 in FY 2021.

**Note 3 - Financial Reporting**

KRS 150.152 requires the examination of the separate revenue streams of each account within the Fish and Game Fund, as well as a disaggregation and report on the revenues and expenditures, by type, within the Program Income Fund of the Fish and Game Fund. The Program Income Fund is closed.

**KENTUCKY DEPARTMENT OF FISH AND WILDLIFE RESOURCES**  
**NOTES TO THE FINANCIAL STATEMENT**  
**JUNE 30, 2021**  
**(Continued)**

**Note 3 - Financial Reporting (Continued)**

This report presents:

Statement of Revenue Sources - Modified Cash Basis for the Fish and Game Fund

This statement presents the separate revenue streams of the Fish and Game Fund. Revenues are categorized into major sources, and further detailed by license type or grantor, when possible. As noted above, the statement is presented on the cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Note 4 - Cash and Cash Equivalents**

The cash receipts of KDFWR are deposited with the Commonwealth's State Treasury. The Commonwealth's Office of Financial Management is responsible for investing the funds of KDFWR as part of the Commonwealth's investment pool. See the Commonwealth's Annual Comprehensive Financial Report for disclosure of the legally authorized investments and the credit risk classifications of the investment pool.

In accordance with applicable statutes, KDFWR is to receive interest on the available balances accumulated from the collection of fees. Interest is received pro-rata, based on the average balances of KDFWR.

**Note 5 - Risk Management**

KDFWR is exposed to various risks to loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. KDFWR utilized the Commonwealth of Kentucky's Risk Management Funds to cover exposure to these potential losses. The Commonwealth's Annual Comprehensive Financial Report should be referred to for additional disclosures related to the Risk Management Fund.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***







**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Kentucky Legislature's Interim Joint Committee  
on Natural Resources and Environment  
Kentucky Department of Fish and Wildlife Resources Commission  
Rich Storm, Commissioner  
Kentucky Department of Fish and Wildlife Resources

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Revenue Sources – Modified Cash Basis for the Fish and Game Fund of the Kentucky Department of Fish and Wildlife Resources (KDFWR) as of and for the year ended June 30, 2021, and the related notes to the financial statement, and have issued our report thereon dated April 6, 2022.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the KDFWR's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the KDFWR's internal control. Accordingly, we do not express an opinion on the effectiveness of the KDFWR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With *Government Auditing Standards*  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Financial Statement Findings as finding 2021-FW-01 that we consider to be a significant deficiency.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the KDFWR's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***KDFWR's Response to the Finding***

KDFWR's response to the finding identified in our audit is described in the accompanying Schedule of Financial Statement Findings. KDFWR's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Farrah Petter, CPA  
Assistant Auditor of Public Accounts

April 6, 2022

## **SCHEDULE OF FINANCIAL STATEMENT FINDINGS**



**KENTUCKY DEPARTMENT OF FISH AND WILDLIFE RESOURCES  
SCHEDULE OF FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINDING 2021-FW-01: The Kentucky Department Of Fish And Wildlife Resources Failed To Transfer Funds From Outside Bank Accounts To The State Treasury Timely**

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This is a repeat of finding 2020-FW-01 as reported in the fiscal year 2020 audit of the Kentucky Department of Fish and Wildlife Resources (KDFWR). KDFWR maintains multiple bank accounts outside of the Kentucky State Treasury (Treasury) to temporarily hold funds associated with camp fees (Camp Webb, Camp Currie and Camp Wallace), receipts from the Otter Creek Outdoor Recreation Area (Otter Creek), and receipts from Quota Hunt Fees. For Otter Creek and the Quota Hunt Fees outside bank accounts reviewed, KDFWR failed to transfer funds to Treasury within 30 days in accordance with KRS 41.070. For both the Otter Creek and Quota Hunt Fees accounts, the only transfers made to Treasury during fiscal year 2021 occurred in April 2021, in the amount of \$156,433 for the Otter Creek account and \$8,470 for the Quota Hunt Fees account. These transfers included receipts which had been collected during the prior fiscal year which exceeded the 30 day threshold established by KRS 41.070.

KDFWR failed to adhere to established policy and state statute requiring receipts held in temporary deposit accounts be transferred into Treasury timely. Maintaining funds outside Treasury for extended periods of time increases the risk of undetected fraud, waste, and abuse. Additionally, there is a potential those receipts would not be accounted for in the financial statements until received by Treasury and properly recorded in the Commonwealth's accounting system.

KRS 41.070, Moneys to be deposited in state depositories,

- (1) Unless otherwise expressly provided by law, no receipts from any source of state money or money for which the state is responsible shall be held, used, or deposited in any personal or special bank account, temporarily or otherwise, by any agent or employee of any budget unit, to meet expenditures or for any other purpose. All receipts of any character of any budget unit, all revenue collected for the state, and all public money and dues to the state shall be deposited in state depositories in the most prompt and cost efficient manner available. However in the case of state departments or agencies located outside Frankfort, and all state institutions, the Finance and Administration Cabinet may permit temporary deposits to be made to the accounts maintained by the agency, department, or institution in a bank which has been designated as a depository for state funds for a period not to exceed thirty (30) days, and may require that the money be forwarded to the State Treasury at the time and in the manner and form prescribed by the cabinet.

**Recommendation**

We recommend KDFWR strengthen internal controls to safeguard assets, follow established policy, and ensure all collected revenue are deposited into Treasury in a timely manner in accordance with KRS 41.070.

**KENTUCKY DEPARTMENT OF FISH AND WILDLIFE RESOURCES  
SCHEDULE OF FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021  
(Continued)**

**FINDING 2021-FW-01: The Kentucky Department Of Fish And Wildlife Resources Failed To Transfer Funds From Outside Bank Accounts To The State Treasury Timely (Continued)**

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**Management's Response and Planned Corrective Action**

*All funds were deposited into a secured department bank account approved by the Finance Cabinet on April 28, 2021, two weeks before preparing the corrective action for the fiscal year 2020 audit. Staffing issues caused by COVID-19 affected the timeliness of the deposits. Additional staff will be trained in making the transfers, supervisors will also verify that transfers are completed monthly to remain compliant.*