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LEGISLATIVE AUDIT DIVISION

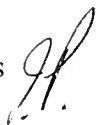


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MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Jim Pellegrini, Deputy Legislative Auditor, Performance Audits 

DATE: August 2003

RE: Follow-up Performance Audit:
Net Client Hunter Use (00P-09)
Department of Labor and Industry

INTRODUCTION

We presented our performance audit of Net Client Hunter Use (NCHU) to the Legislative Audit Committee in June 2000. The report contains seven recommendations to the Montana Board of Outfitters (MBO), as well as two conclusions: one regarding legislative intent and one about record keeping.

We requested and received information from MBO personnel regarding progress toward implementation of our report recommendations. It appears all recommendations have either been implemented or are being implemented. Our original audit concluded that MBO was not meeting legislative intent and statutory requirements; however, actions taken by MBO to date indicate that NCHU is a high priority and requirements are being met. This memo provides a summary of the initial audit and our conclusion on the status of implementation of those recommendations.

INITIAL AUDIT SUMMARY

The Private Land/Public Wildlife (PL/PW) Advisory Council, which is administratively attached to the Department of Fish, Wildlife and Parks (FWP), submitted a request to the Legislative Audit Committee for an audit of MBO operations. The Audit Committee approved a limited scope performance audit of NCHU activity in December 1999.

In its request, the PL/PW Advisory Council asked for a determination of the following:

1. If actions taken by the MBO related to request for expansion of NCHU filed by outfitters between July 1, 1996 and July 1, 1999, meet legislative intent and statutory requirements of House Bill 196 (Chapter 328, Laws of 1995).
2. If the MBO maintains adequate records to provide necessary oversight of the outfitter industry, as specified in statute.

This request set the scope for our audit.

Background

NCHU is the maximum number of clients actually served by an outfitter in any single year. It limits the number of clients an outfitter may service. Once NCHU is designated, an outfitter cannot exceed, exchange, trade, or substitute between categories without MBO approval. The MBO established three general categories in which an outfitter can designate NCHU:

Category 1 – nonresident, big game, outfitter-sponsored

Category 2 – big game, non-outfitter-sponsored

Category 3 – non-big game

Outfitters must document and maintain client logs for verifying NCHU.

Audit Findings

Based on our review of NCHU activities, we made seven recommendations and two conclusions. The following summarizes our initial audit findings.

Prior Audit Recommendation #1

We recommend the MBO implement a system for monitoring and reporting on NCHU activity.

Prior Audit Recommendation #2

We recommend the MBO verify all NCHU designation forms and document actual base client levels.

Prior Audit Recommendation #3

We recommend the MBO comply with statute by establishing a process for adjusting NCHU according to the three-year “use-it-or-lose-it” law.

Prior Audit Recommendation #4

We recommend the MBO establish a high priority for NCHU responsibilities.

Prior Audit Recommendation #5

We recommend the MBO change NCHU forms to tie categories and subcategories to FWP license prefixes.

Prior Audit Recommendation #6

We recommend the MBO:

- A. Develop a system for tracking acreage associated with the outfitter industry.
- B. Implement a process, such as a “visual audit sheet” and field testing, to help ensure file information is accurate and up to date.

Prior Audit Recommendation #7

We recommend the MBO:

- A. Review land usage data collected for calendar year 1999 to determine its usefulness for oversight of the outfitter industry.
- B. If the analysis indicates the correct data is not useful for MBO operations, seek legislation to clarify the requirements for collecting leased acres used and unused.

Prior Audit Conclusion #1

The MBO is not meeting legislative intent and statutory requirements.

Prior Audit Conclusion #2

The MBO does not maintain adequate records to provide necessary oversight of the outfitter industry, as specified in statute.

FOLLOW-UP AUDIT FINDINGS

To determine the implementation status of our prior audit recommendations, we requested information from MBO, interviewed MBO personnel, and reviewed documentation regarding our recommendations. Based on our follow-up review, it appeared MBO was in the process of implementing most of the recommendations. However, in order to give MBO additional time to implement changes, operate under new policy, and compile addition information, we decided to postpone further follow-up. Other audit priorities and scheduling conflicts advanced our postponement even further, so we waited to determine if changes in legislation would be presented to the 2003 Legislature. Early in 2003, we re-contacted MBO and requested an update on the implementation status of our recommendations. The following summarizes MBO's responses to our requests.

Montana Board of Outfitters Response

MBO concurred with all recommendations. Estimated times for implementation ranged from immediately to 12 to 24 months. In the following sections, the *italicized* paragraphs represent MBO's updated response.

Recommendation #1

Implemented. MBO arranged to implement "Access" as its system for monitoring NCHU activity. This new system would include a link to FWP for mapping outfitter operations.

The Access system is operational with all NCHU base and expansion information entered. NCHU information is updated on an ongoing basis. MBO continues to work with FWP to finalize the mapping portion of the system.

Recommendation #2

Implemented. MBO forms did not accurately portray NCHU activity, so MBO planned to audit each outfitter's base NCHU to verify and document actual base levels. This data would then be entered into the new Access system.

All NCHU base levels have been verified and entered into the Access system. The process involved coordination between MBO and outfitters and numerous errors were identified and corrected.

Recommendation #3

Implemented. MBO planned to audit all base NCHU, request confirmation from outfitters, then update the Access system. This task was to be set as a high priority and all outfitters past the three-year timeframe would be completed within 90 days, with other outfitters being adjusted as the timeframe lapses.

House Bill 569 (Chapter 393, Laws of 2001) amended the "use-it-or-lose-it" statute by extending the 3-year timeframe to 5½ years. Thus, the original NCHU establishment date of April 30, 1999 was extended to December 31, 2004. The system was adjusted to account for the new law. All NCHU expansion levels were identified and a test of the new system was completed and worked well. MBO is waiting for the extended deadline and plans to issue a reminder prior to the deadline.

Recommendation #4

Implemented. Once MBO was fully staffed and new rules were adopted to address 1999 legislation, it was in a better position to set and accomplish priorities. NCHU was set as a high priority. New NCHU data will be used as previous compilations contained inaccuracies.

A high priority for NCHU was definitely established.

Recommendation #5

Implemented. MBO planned to add FWP license categories to the forms to alleviate the confusion discussed in the audit report.

While MBO modified its forms to implement the recommendation, FWP implemented a new Automated Licensing System and during this change, the two-digit license number prefix was eliminated. MBO worked with FWP to establish a new process for tracking outfitter-sponsored licenses. MBO obtains a listing of outfitter-sponsored licenses from FWP, and then supplies the listing to outfitters to complete guide and harvest information to finalize client logs. MBO also generalized Category 2 licenses and is modifying rules to reflect this change.

Recommendation #6A

Implemented. MBP planned to track acreage on the new client logs and through use of maps of land use generated by FWP.

New client logs and statistic sheets were developed and implemented. MBO is in the process of updating land use approval forms. MBO has electronically captured land use data, and was obtaining outfitter verification of this data during April 2003. MBO continues to add outfitter information to the Access system including operating plan data and camp locations. The mapping portion of the system is still being developed in conjunction with FWP.

Recommendation #6B

Implemented. MBO has investigators completing and documenting field contacts. FWP Wardens enforce outfitter laws and rules to ensure compliance. Via a FWP link, MBO investigators can check outfitter-sponsored licenses. The mapping component will help ensure accuracy of acreage information. The “visual audit sheet” is still planned for implementation to help ensure everyone has the same information.

Field contacts continue to be completed to ensure information is up-to-date. Field investigators report findings so MBO licensing specialists can work with outfitters to update system information. Once all file information is up-to-date and entered in the Access system, MBO anticipates providing a written summary of operations to outfitters during the license renewal process and requesting verification of information.

Recommendation #7A

Implemented. Information from MBO statistic sheets was to be compiled onto an Excel spreadsheet, analyzed to determine usefulness, and findings presented to the Board.

A spreadsheet was compiled and analyzed. The findings indicated the data was useful. A new statistics sheet was developed and implemented to eliminate confusion about how to report land use data. The new Access system can capture land use data by outfitter and by the industry as a whole.

Recommendation #7B

If the information compiled under Recommendation #7A was not useful, MBO planned to seek legislation in the 2003 Legislative Session.

As noted under Recommendation #7A, the data was determined to be useful, so this recommendation was not applicable.

Overall Follow-up Conclusion

Based on information provided by MBO and our observations, it appears all recommendations have either been implemented or are being implemented. Actions taken by MBO indicate that NCHU is a high priority. An example of this can be seen in MBO’s newsletter. MBO reactivated its newsletter in December 2001 and the three issues published since reactivation all discuss NCHU. While MBO is still taking steps to implement some recommendations, the main concerns identified during our audit appear to have been addressed. In fact, the FWP mapping system MBO is currently working on is an additional control not specifically addressed by our audit recommendations.

In addition to our recommendations, we concluded on the two specific questions asked by the PL/PW Advisory Council. While our audit conclusions were that MBO was not meeting legislative intent and statutory requirements, actions taken to date indicate a reversal of this opinion. MBO has implemented a system for tracking NCHU activity, and has established procedures for ongoing monitoring to ensure up-to-date information is maintained. In addition, two PL/PW council members praised MBO for the dramatic change and significant improvement in operations. As a result, we conclude MBO has implemented our audit recommendations and the audit should be closed.

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