Claire McCaskill

Missouri State Auditor

October 2005

CONSERVATION

Department of Conservation

Two Years Ended June 30, 2004

Report No. 2005-74

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Office Of The
State Auditor Of Missouri
Claire McCaskill

October 2005

YELLOW SHEET

The following problems were discovered as a result of an audit conducted by our office of the Department of Conservation.

The Missouri Department of Conservation (MDC) did not assess achievement of the fiscal year 2004 strategic plan goals or update the strategic plan, coordinate the strategic plan process with long-term funding projections and the budget process, or develop specific data to allow measurement of progress toward the strategic plan's goals.

During the two fiscal years ended June 30, 2004, the MDC distributed over $9.2 million through grants, cooperative agreements, and cost share programs. These agreements between the MDC and entities or individuals provide funding for private and public land activities related to MDC's mission. We reviewed some of the contracts discussed in our previous audit (Report No. 2002-108) and determined that MDC is more closely monitoring these projects. In addition, the MDC implemented a revised policy for grants and cooperative agreements in January 2003, which included significant new requirements for application procedures, project approval, project monitoring, and administration of the grant and cooperative agreement contracts. However, some improvement is still needed in ensuring employees are assigned responsibility for monitoring these contracts, and in requiring contract payments to be made on a reimbursement basis.

All MDC full-time employees and certain designated hourly employees and volunteers are provided a clothing allowance. During the two fiscal years ended June 30, 2004, the MDC expended over $980,000 on clothing reimbursements for department employees and volunteers. While a significant portion of these expenditures were for employees with specific clothing requirements, some employees with infrequent public contact are allowed up to $100 per year for the purchase of signature clothing that identifies them as department employees. We have questioned the need for clothing allowances in these instances.

During the two fiscal years ended June 30, 2004, the MDC expended approximately $63,000 on gifts and awards for employees; however, the department does not have a policy to control these expenditures and allows purchases of gifts and awards which are excessive in amount.

The MDC's outside employment policy requires employees to complete an annual outside employment authorization and related business disclosure form if the employee has outside employment or has a personal or family interest in a business. However, the form does not provide a reporting mechanism for other types of conflicts of interest that could arise from other circumstances, such as involvement in not-for-profit organizations which have conservation related objectives or friendships and relationships which the employee feels could compromise their ability to properly perform supervisory or oversight duties.

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During our review, we noted indications that compliance with the MDC policy is not being adequately implemented and monitored.

We noted that the department director and a commission member were ex-officio non-voting members of the board of directors for a not-for-profit organization with a business relationship to the department. However, neither person had reported the entity on their financial disclosure forms filed with the State Ethics Commission for the affected time period.

The MDC maintains approximately 1,300 passenger vehicles. The department's accounting system does not separately identify between 60 and 80 vehicles available to employees for temporary or daily use as pool vehicles. As a result, the vehicles were not analyzed for appropriate usage levels or compliance with state policy for pool vehicles. As reported in the prior audit, the MDC does not maintain vehicle usage logs. In addition, adequate records are not maintained relating to employees allowed to use department vehicles for commuting.

As of June 30, 2004, MDC employees occupied twenty-seven MDC-owned residential structures. Sixteen of these homes are occupied by employees that are not required to live in the home as a condition of their employment. These employees are charged rental rates from $75 to $125 per month based on the home's assigned classification. The MDC has not performed adequate market analysis to determine the actual rental values of the homes. If the homes are rented to department employees at less than the market rate, the difference is a taxable benefit to the employee and should be reported on the employees' W-2 form.

The MDC maintains an inventory of publications and gift items, with a value of approximately $800,000 at June 30, 2004, which are sold through the MDC's central distribution warehouse, nature centers, and regional offices. Although the MDC periodically reviews the profitability of for-sale inventory activities, only the cost of the merchandise is included in the calculation and other costs such as personnel, fringe benefits, storage, and administrative costs are not included in the analysis. Additionally, the Forestry Division maintains a nursery that produces tree and shrubbery seedlings, utilized in various MDC programs, sold or provided to external entities for planting pursuant to co-operative agreements with the MDC, and offered for sale to the public. Sales revenues exceeded $1.2 million during the fiscal year ended June 30, 2004. The MDC does not document an adequate analysis of the nursery production and sales activities to determine if nursery sales revenues are recovering the cost of producing the stock in accordance with management's objectives.

The MDC did not document how some items discussed in closed session complied with state law. Certain information in the minutes for closed sessions was intentionally withheld from our review based on the department's interpretation of state law.

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DEPARTMENT OF CONSERVATION

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Conservation Commission
and
John Hoskins, Director
Department of Conservation
Jefferson City, MO 65102

We have audited the Missouri Department of Conservation. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2004 and 2003. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions.

3. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. Certain information contained in the Commission meeting minutes for closed sessions was not provided to us based on the department's interpretation of state law. Department officials have determined and assured us that this withheld information has no material effect on the audit.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed

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and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. 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.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Department of Conservation.

Claire McCaskill
State Auditor

March 18, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Alice M. Fast, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF CONSERVATION
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

1. Strategic Planning

The Missouri Department of Conservation (MDC) did not assess achievement of the fiscal year 2004 strategic plan goals or update the strategic plan, coordinate the strategic plan process with long-term funding projections and the budget process, develop specific benchmarks or targets for the strategic plan's goals, or develop specific data to allow measurement of progress toward the strategic plan's goals.

The department has prepared a series of strategic plans beginning with the Design for Conservation and the New Design for Conservation published in 1971 and 1975, respectively. These plans were followed by two five year strategic plans in 1989 and 1995, a significant land purchase strategy in 1991, and three additional plans for fiscal years 2001, 2003, and 2004. The three most recent plans have been formatted to implement Governor's Order 01-19, Commission on Management and Productivity Implementation.

Governor's Order 01-19 requires state agencies to manage for results including the use of performance-improvement and efficiency efforts, strategic planning for policy innovation, and the use of performance measures in state decision-making. The order also states that strategic planning and performance measures will be the basis of program implementation and the allocation of state resources. The planning and budgeting processes should be linked so as to increase accountability by placing greater emphasis on benefits and results rather than activities and workload.

A report issued by the State Auditor in October, 2002, ***Department of Conservation Oversight of Land Acquisition, Capital Improvements, and Related Programs*** (Report No. 2002-108), indicated that the department's strategic planning process did not ensure accountability of public resources, that a results-based strategic planning process was not fully implemented, and that the budget process was not adequately coordinated with the strategic planning process.

Our review of the department's efforts regarding strategic planning indicates continued weaknesses in the strategic planning process.

A. The strategic plan for fiscal year 2004 has not been reviewed and updated annually. The Strategic Plan Coordinator indicated that the performance measures in the strategic plan for fiscal year 2004 have not been reviewed to see if they were achieved. The Strategic Plan Coordinator indicated that a new strategic plan will be issued for fiscal year 2006; however, the strategic plan for fiscal year 2004 indicated it would be reviewed and evaluated annually.

Annual reviews of the department's strategic plan and measurement of the department's progress toward achievement of the strategic goals are necessary to ensure the strategic plan remains an effective planning and management tool.

B. While the department has developed a five year cash flow analysis, this is not tied to the strategic plan or the goals of the department.

The Design for Conservation, published in 1977, associated average annual costs with the proposed goals; however, the department has not continued this projected allocation of resources in recent strategic plans. Until department officials take steps to improve the strategic planning process, taxpayers cannot be assured that conservation revenues levels are comparable or sufficient to meet current and future (long-term) operational costs and that the funds are being used effectively to achieve conservation goals.

In addition, the department's strategic plan for fiscal year 2004 identified the need for a comprehensive property, facility, and infrastructure inventory including an assessment of long-term operating costs and maintenance needs. The department has developed a comprehensive listing of properties owned and managed by the department but has not assessed long-term operating costs or maintenance needs of these facilities, and has not incorporated such information into the strategic planning and budgeting process.

Associating historical data with long-term projections of funding sources, anticipated long-term operating costs, and strategic plans and goals would provide the public with an understanding of how the sales tax and other conservation revenues are used to accomplish conservation goals and an opportunity to express opinions of how the revenues are used. Coordinating these information sources would assist management in allocating department resources in the most effective manner and in compliance with the department's mission and strategic plan.

C. The department's budget process is not adequately coordinated with the strategic planning process. The department budget is prepared and tracked by division while the strategic plan is organized into six broad program areas including multiple goals, issues, and performance measures for each program area. The program areas are not defined by division and, as a result, it is not clear which division is responsible for the strategic goals, issues, and performance measures within each program area.

Each of the nine budget divisions separately issues annual documents, referred to as division directions. The division directions address various strategic goals, issues, and performance measures as the divisions determine they apply to the divisions' mission and functions. However, strategic goals, issues, and performance measures are often addressed by more than one division and the items discussed in the division directions also include other division concerns which are not included in the strategic plan document.

Coordinating the strategic planning process with the budgeting process and ensuring that the responsibility for implementing strategic goals is assigned to and addressed by appropriate divisions would increase the effectiveness of strategic planning and allow the department to focus and direct resources to high priority activities.

D. 1. The department has not developed specific measurements for some of the department's goals and is not able to determine if conservation goals have been accomplished. The fiscal year 2003 and 2004 strategic plans contain strategic issues with desired results, but the desired results are not always specific in terms of the expected improvements. For example, the plan notes the following issue: Landscape changes continue to degrade critical habitat and natural communities resulting in the decline of a wide variety of fish and wildlife. The desired result is to increase populations and enhancement of natural communities through targeted habitat manipulations. While the outcome is measurable, it is not stated in terms of a specific goal as to the types of fish and wildlife and by what measure the populations should increase. In addition, some performance measures such as "an increase in the number and size of natural communities" have a vague description.

2. Data was not available or was not used to measure progress toward or achievement of the stated goals. While some trend data was presented in the fiscal year 2004 plan, adequate trend analyses was not provided for 8 of the 17 strategic issues, and the majority of results reported were not supported by adequate data. For example, the strategic issue of maintaining and operating area facilities and infrastructure in a way that invites public use includes a performance measure of "the number of incidents of vandalism and the amount of funds spent for repairs". The only data presented to report progress is that a facility and infrastructure survey was completed. The plan also indicates that the long-term plan for repair and renovation had not been completed and there is no formal process to track amounts of vandalism damage on conservation areas. These performance measures do not adequately provide information as to the increase or decrease of vandalism occurrences or the cost of repairs in the past years, which would also provide comparative information to test the accomplishment of goals in subsequent years.

Establishing specific, measurable outcomes is necessary to allow the department to track progress and to prioritize department objectives. In addition, the use of adequate data to define program goals and measurements for program outcomes and objectives provides a sound basis to track progress over time and establishes trends that can then be used to effectively measure progress achieved. The use of supporting data in defining the extent of the problem is a critical step in the strategic planning process. This methodology allows management to determine whether a problem exists, establish realistic goals, prioritize strategic issues, and implement effective and appropriate strategies.

Similar conditions were also noted in our prior report; however, the department did not fully implement these recommendations.

WE RECOMMEND the MDC:

A. Ensure strategic plans are reviewed and performance measures are tested annually for effectiveness and revise the plans, if necessary.

B. Include as a part of the strategic plan, long-term projections of anticipated revenues and expenditures required to implement and maintain the department's programs and strategic goals. In addition, the department should complete development of the facility inventory, operating cost assessment, and long-term maintenance assessment, and incorporate the information into the annual strategic plan and budgeting process.

C. Coordinate the strategic planning process with the budgeting process and ensure that the responsibility for implementing strategic goals is assigned to appropriate divisions. In addition, the department should ensure division directions state a clear, direct relationship with the strategic goals.

D.1. Ensure strategic goals are measurable and specific.

2. Improve the performance measurement process by using trend data to measure and support results achieved and defining how much improvement is needed.

AUDITEE'S RESPONSE

We prepare a strategic plan in a format that is applicable to our needs and provides goals, objectives and the guidance to achieve them. We have developed a number of plans in addition to the strategic plan such as area plans, species plans, regional operating plans and long-term capital improvement and financial budgeting plans. All plans are long-term, flexible, continually reviewed and monitored, and considered in our annual budgeting process. As noted by the auditors, our strategic plan may not completely comply with the 2001 order; however, the comprehensive planning method currently used has proven effective for our organizational structure and provides understandable plans to present to the public. We are always open to new ideas to improve our planning process and will consider these recommendations as we continue to progress in this area.

2. Expenditures

Improvement is needed to ensure monies distributed by the MDC are properly controlled. The MDC policies and procedures for clothing and gifts and awards expenditures do not ensure purchases are economical and represent reasonable and prudent uses of state funds.

A. During the two fiscal years ended June 30, 2004, the MDC distributed over $9.2 million through grants, cooperative agreements, and cost share programs. These agreements between the MDC and entities or individuals provide funding for private and public land activities related to MDC's mission. In our prior audit report issued in October, 2002, ***Department of Conservation Oversight of Land Acquisition, Capital Improvements, and Related Programs*** (Report No. 2002-108), we recommended the MDC establish oversight provisions for inclusion in agreements with private organizations that receive state funds and monitor these organizations to ensure requirements are met, state funds are used in accordance with agreements, and results are achieved.

   We reviewed some of the contracts discussed in the previous report and determined that MDC is more closely monitoring these projects. After several more months of negotiations, in March 2005, the MDC did finally cancel their agreement with one organization and take back the property granted to them.

   In addition, the MDC implemented a revised policy for grants and cooperative agreements in January 2003 which included significant new requirements for application procedures, project approval, project monitoring, and administration of the grant and cooperative agreement contracts. However, three of twelve program distribution contracts reviewed did not indicate which MDC employee was responsible for ensuring the terms of the contract were complied with and the agreed upon monitoring procedures. In addition, seven of twelve contracts did not require contract payments be made on a reimbursement basis and two additional agreements required a combination of lump sum and reimbursement basis payments.

   The new policy requires that grants and agreements include identification of the individual who will be responsible for monitoring the agreement as well as what monitoring tools will be used. In addition, the policy states that the "preferred and highly recommended" fund disbursement method is the reimbursement basis and that the recipient must provide adequate documentation of monies spent at the time of request for reimbursement.

   To ensure the efficient and effective use of state resources, the MDC should ensure that all program distribution agreements and activities comply with the policy for grants and cooperative agreements. These agreements should include assignment of monitoring activities and contract payments should be disbursed on a reimbursement basis.

B. All MDC full-time employees and certain designated hourly employees and volunteers are provided a clothing allowance. During the two fiscal years ended June 30, 2004, the MDC expended over $980,000 on clothing reimbursements for department employees and volunteers. As of June 30, 2004, the department employed approximately 1,500 salaried employees and 730 hourly employees. Clothing allowances are provided to some employees who have limited contact with the public and limited need to be identified as a department employee.

Some employees are allowed $300 or $400 for a clothing allowance per year. These employees are required to wear a uniform, have frequent public contact, or have duties which are exceptionally hard on clothing, such as construction or heavy maintenance. Other employees and volunteers, who do not have frequent public contact and are not required to wear a uniform while on duty, are allowed up to $100 per year for the purchase of signature clothing. These employees may wear the official clothing at their discretion and may be required to wear official clothing at certain events as designated by their supervisor.

It appears unreasonable for the MDC to provide clothing allowances to employees who have infrequent contact with external parties and could be easily identified by the use of a name tag or other less costly method.

C. During the two fiscal years ended June 30, 2004, the MDC expended approximately $63,000 on gifts and awards for employees; however, the department does not have a policy to control these department expenditures and allows purchases of gifts and awards which are excessive in amount and may have marketable value associated with the item.

As of June 30, 2004, the department employed approximately 2,230 salaried and hourly employees. We noted the following examples of expenditures for gifts and awards:

- Twenty-five plaques for retiring department employees valued at $94 each.
- Three framed prints given to department employees in recognition of leadership and technical achievement valued at a total of $722.
- Twenty-five clocks and 100 mini key chain calculators given to department employees for the promotion of safety in the work place with a total value of $518.
- A plaque given to a commissioner whose term was expiring valued at $151.

While the recognition of outstanding employee contributions to the department's mission is an effective management tool, the level of expenditures and the value of some awards procured by the department are excessive. Purchases of this nature should be minimal in nature and should not have marketable value such as the framed artwork. In addition, the department should develop a policy specifying allowable expenditures for gifts and awards.

WE RECOMMEND the MDC:

A. Ensure all program distribution agreements and activities comply with the policy for grants and cooperative agreements. These agreements and activities should include appropriate termination clauses, monitoring assignment and monitoring activities, and should be disbursed on a reimbursement basis.

B. Discontinue providing clothing allowances to employees and volunteers who are not required to wear a uniform while on duty.

C. Develop a policy specifying allowable expenditures for gifts and awards and ensure expenditures for gifts and awards are allowed only for items of reasonable cost which have no identifiable market value.

AUDITEE'S RESPONSE

A. The auditors noted that seven of the twelve contracts reviewed did not require payment to be made on a reimbursement basis; however, as reported to the auditors and documented in our Business Policy Manual, making payments in advance is an allowable payment method and is often used when considered necessary, such as to provide a partial advance payment to the grantee for applicable supplies. Our procedures outline required provisions and controls to be applied when making payments in advance. We have been and will continue to review all agreements to ensure they are in compliance with our established procedures.

B. Our clothing policy and dress code have been discussed several times over the past few years and as a result, a task force was established to review the Department's clothing policy. A revised policy should be in effect by December 31, 2005.

C. Our employees are a valued asset to the Department and often go beyond their assigned duties and responsibilities on behalf of the mission. Based on discussions regarding expenditures and tax reporting requirements for gifts and awards for employees, the Director called for the formation of a task force earlier this year to draft guidelines for employee gifts and awards. Recommendations from the task force are currently being organized in a policy and procedures format for submission to management for review and approval. The policy should be in effect by December 31, 2005.

3. Conflicts of Interest Policy

The MDC has not adequately implemented and monitored compliance with the department's policies regarding conflicts of interest. In addition, we noted that financial disclosures filed with the Missouri Ethics Commission did not properly report the relationship between two high ranking department officials and a related organization.

A. The MDC Mission Statement and Code of Conduct specifies that MDC employees are not allowed to engage in activities that create financial conflicts with the department or activities that are adverse to or impede department policies. The outside employment policy specifies that outside employment is allowed when it does not represent an actual or perceived conflict of interest or diminished job performance. The policy further stipulates that MDC employees may not engage in outside employment activities, make purchases, or enter into contracts which result in any activity that could influence a decision, create a bias or prejudice, create unfair competition, interfere with job performance, or conflict with the accomplishment of MDC missions, goals, and policies. Finally, the policy defines conflict of interest as any circumstance that would cast doubt on an employee's ability to act with objectivity including both actual conflicts and the subjective perception of conflicts.

The outside employment policy requires employees to complete an annual outside employment authorization and related business disclosure form if the employee has outside employment or has a personal or family interest in a business. However, the form does not provide a reporting mechanism for other types of conflicts of interest that could arise from circumstances other than outside employment or business ownership/relationship such as involvement in not-for-profit organizations which have conservation related objectives or friendships and relationships which the employee feels could compromise their ability to properly perform supervisory or oversight duties.

The outside employment policy also indicates that the MDC will prepare a list of employees and related businesses. The purpose of this list would be to notify all department employees to restrict purchases with the listed employees or businesses.

During our review, we noted indications that compliance with the MDC policy is not being adequately implemented and monitored.

- As of March 2005, the MDC had not compiled or published a listing of employees with outside employment or business ownership/family relationship conflicts. As a result, MDC employees involved in purchasing activities were not aware of various employees or vendors from which they should be restricting purchases.

- Six employees who held concurrent employment at MDC and other state agencies had not filed outside employment forms.

B. Various department officials and employees are required to file financial disclosure forms with the Missouri Ethics Commission. We noted that the department director and a commission member were ex-officio non-voting members of the board of directors for a not-for-profit organization with a business relationship to the department. However, neither the director nor the commissioner had reported the entity on their disclosure form filed with the State Ethics Commission for the affected time period.

WE RECOMMEND the MDC:

A. Improve the reporting and monitoring of employees' conflicts of interest by:

- Providing a mechanism for employees to report conflicts of interest other than outside employment or business ownership/relationship.
- Ensuring all employees submit the outside employment disclosure form.
- Developing and publishing, for department use, the listing of employees that MDC has placed on restricted procurement status due to the existence of conflicts of interest.
- Following up on the instances of non-compliance with department policy noted above.

B. Follow up on the instances of non-compliance with state law noted above, and stress to employees and department officials through additional training or other communication the importance of completely and accurately reporting all conflicts of interest and subjective perceptions of conflicts of interest.

AUDITEE'S RESPONSE

A. We have intentionally developed a very strict policy to avoid actual and perceived conflicts of interest. This policy requires all full and part-time employees to provide the Department with detailed information about outside employment, as well as family and related business associations. Our initial attempt to obtain this detailed information from full-time employees occurred in the fall of 2004, however, while developing the data base listing businesses with conflicts, we realized there were misunderstandings as to what information was to be disclosed. We have since revised the forms to be completed and are in the process of training supervisors as to the information required. Due to the need to provide supervisory training, the amount of information to be disclosed, the total number of full and part-time employees from whom information will be derived, and the number of supervisory levels of review, this is a massive undertaking. We expect to have completed forms returned to Central Office by December 31, 2005, and the data base operational by March 31, 2006. In addition to our stringent disclosure forms, all employees in management and supervisory positions, well over 100 in total, are required to file financial disclosure forms with the Missouri Ethics Commission annually.

B. Failure to report ex officio status as board members for the Missouri Conservation Heritage Foundation was simply an oversight. Although Section 20 of the Financial Disclosure form does not include certain Not For Profit organizations where no pay was received, in the interest of full disclosure, our ex officio position with the MCHF will be reported on future forms.

4. Capital Asset Records and Procedures

The MDC policies and accounting procedures for capital assets including physical inventories, pool vehicles, vehicle usage logs, commuting reports, and department owned housing need to be improved. At June 30, 2004, the MDC reported capital asset balance for equipment was $75.6 million.

A. The Business and Support Services staff initiated a physical inventory of capital assets at the department's 522 location codes in January 2004; however, as of January 2005, 19 percent of the physical inventory count sheets had not been returned to the Business and Support Services staff. In addition, the physical inventories are performed by asset custodians and there is no requirement that an independent individual perform the count or supervise, review, or spot check the physical count results.

In addition, due to a department reorganization, several assets were relocated; however, the location recorded in the accounting system was not updated. We noted 20 of the 100 assets we tested were incorrect.

Annual physical inventories are necessary to ensure the accuracy of capital asset records and to detect the loss, theft, or misuse of assets. The MDC should conduct annual physical inventories and reconcile the results of the inventories to the detailed capital asset records. In addition, the physical inventory should be conducted by persons independent of those having record-keeping or custodial duties, or spot checks or supervisory reviews should be performed if an independent employee does not conduct the physical inventory.

B. The MDC maintains between 60 and 80 vehicles at the regional and local office levels that are available for employees to check out for temporary or daily use; however, the department's accounting system does not separately identify these vehicles as pool vehicles and, as a result, the vehicles were not analyzed for appropriate usage levels or compliance with state policy for pool vehicles. The State of Missouri Administrative Policy SP-4 states that pool vehicles should be used at least 15,000 miles each year. However, the department did not analyze these vehicles to determine if they were utilized in compliance with the state policy regarding pool vehicles.

To ensure pool vehicles are adequately utilized and are in compliance with state policy, the MDC should separately identify, account for, and analyze all vehicles used in a pool capacity.

C. As reported in the prior audit of the Department of Conservation for the two years ended June 30, 2002, the MDC does not maintain vehicle usage logs which detail the name of the driver, dates used, beginning and ending odometer readings, destination, and purpose of use. The MDC maintains approximately 1,300 passenger vehicles. State policy SP-4 specifically requires this information. Furthermore, this information is necessary to determine which individuals are using the vehicle and if there is a potential for misuse of the vehicle.

D. The MDC policy for commuting in department vehicles provides for varying levels of commuting approval based on the employee's job duties and assignments. Approximately 65 employees were approved for commuting during the two fiscal years ended June 30, 2004. In addition, other employees were approved by the division administration or local supervisor for temporary or occasional commuting.

Employees who utilize commuting authority under taxable circumstances (as defined by policy) are required to submit a monthly commuting mileage report to the payroll staff for recording as a taxable benefit in the state's accounting system. However, the payroll staff are not notified of persons who are approved for commuting and, as a result, cannot verify that all monthly commuting reports are received. In addition, if employees do not utilize commuting authority under taxable circumstances in a given month, they are not required to submit a report stating that there were no taxable benefits during the month.

The MDC cannot adequately track the completeness of commuting report submission without an adequate system of notification when commuting approval is granted and without complete reporting each month by all employees approved for commuting even when no taxable commuting authority is utilized.

E. As of June 30, 2004, MDC employees occupied twenty-seven MDC-owned residential structures. The department either requires or allows the employees to establish and maintain residency in the homes. All employees occupying residential structures are responsible for the cost of utilities and regular maintenance and repairs of the homes. Eleven of these homes are occupied by employees who are required as a condition of their employment to live in the home and are exempted from paying rental fees. The remaining sixteen homes are assigned to one of several classifications related to the home's size and rental rates are assessed against the occupying employee's paycheck each pay period. Rental rates vary from $75 to $125 per month based on the assigned classification.

The MDC has not performed adequate market analysis to determine the actual rental values of the homes. If the homes are rented to department employees at less than the market rate, the difference is a taxable benefit to the employee and should be reported on the employees' W-2 wage and tax statements.

The MDC should ensure that they are in full compliance with federal tax regulations by performing an accurate market analysis of the rental value of department owned, employee occupied homes. Rental rates should be assessed to department employees in amounts consistent with the results of the analysis or taxable benefits should be recorded in the accounting system and reported on employees' W-2 wage and tax statements.

<u>WE RECOMMEND</u> the MDC:

A. Conduct a physical inventory of all capital assets on an annual basis and reconcile the results of the inventory to the detailed capital asset records. In addition, the physical inventory should be conducted by persons independent of those having record-keeping or custodial duties, or spot checks or supervisory reviews should be performed on the physical inventory results.

B. Separately identify, account for, and analyze all vehicles used in a pool capacity to ensure compliance with state policy.

C. Maintain mileage logs for all on-road department vehicles as required by OA policy. These logs should be periodically reviewed for propriety.

D.1. Establish a central information reporting system to track which employees are approved for personal commuting on an annual, temporary, and occasional basis.

2. Require all employees approved for commuting during a given month to submit reports of taxable commuting miles or a statement that taxable commuting miles were not utilized.

E.1. Perform a market analysis of the rental value of department owned-employee occupied homes.

2. Assess rental rates to department employees in amounts consistent with the results of the analysis or record and report taxable benefits on the employees' W-2 wage and tax statements.

<u>AUDITEE'S RESPONSE</u>

A. Physical inventories of capital assets are conducted by the staff on an annual basis; BASS-General Support Services staff will continue to monitor the results to ensure timely responses. Spot checks of inventory are now being conducted throughout the year by the Internal Auditor and her Assistant and the Internal Customer Service Manager and her staff.

B. We currently have 18 vehicles that are solely used as pool vehicles; the others referred to by the auditors are vehicles assigned to professional staff but also available for all staff to use as needed when available. We maintain and analyze detailed mileage, fuel, and repair and maintenance information for all vehicles. The mileage information is often used to determine if reassignments are necessary, i.e., we transfer older vehicles with higher mileage to assignments where they will be used for shorter, local trips.

C. *We do not maintain mileage logs detailing information for each trip taken in a Department vehicle due to the limited benefit provided by such a log. Instead, we have the MDC logo prominently displayed on all vehicles which provides a stronger and more effective control to ensure vehicles are used appropriately.*

D. *This is now being done.*

E. *Market analysis is performed every three years; the last one was completed in 2002 and we are currently reviewing again for 2005. This analysis should be completed by December 31, 2005. Employees who are required to live in Department-owned housing as part of their official duties and responsibilities are not charged rent and the value of the housing is not taxable. Employees who choose to live in other Department-owned housing provide a service to the Department because they provide a presence at the area and help minimize vandalism. The employees living there by choice are charged a rate in line with the market for the size of the house, quality, and location. We will use the results from the 2005 analysis to determine taxable fringe benefits, if any, to be reported.*

5. Inventory

The MDC does not include all operating costs in their analysis of the sales activities of the publications inventory or the seedling nursery and the analyses performed by the nursery are not documented.

A. The MDC maintains an inventory of over 600 publications and other gift items, with a value of approximately $800,000 at June 30, 2004, which are sold through the MDC's central distribution warehouse and 28 nature centers and regional offices throughout the state. Although the MDC periodically reviews the profitability of for-sale inventory activities, only the cost of the merchandise is included in the calculation and other costs such as personnel, fringe benefits, storage, and administrative costs are not included in the analysis.

Without adequate analysis of the level of cost recovery attained, the MDC cannot ensure that the for-sale inventory activities are conducted in accordance with management's objectives.

B. The Forestry Division maintains a nursery that produces tree and shrubbery seedlings. The MDC annually produces an inventory of nursery stock (tree and shrub seedlings) which are utilized in various MDC programs, sold or provided to external entities for planting pursuant to co-operative agreements with the MDC, and offered for sale to the public. Sales revenues exceeded $1.2 million during the fiscal year ended June 30, 2004.

The MDC does not document an adequate analysis of the nursery production and sales activities to determine if nursery sales revenues are recovering the cost of producing the stock in accordance with management's objectives. The nursery manager tracks employee time and shipping costs related to these activities but does not document periodic cost recovery analyses, what the activities are costing the department in total, or if the sales revenues are adequately recovering the production and overhead costs.

Without adequate analysis of the level of cost recovery attained, the MDC cannot ensure that the nursery production and cost recovery activities are conducted in accordance with management's objectives.

WE RECOMMEND the MDC:

A. Perform comprehensive periodic analyses to ensure that the activities of the for-sale inventory program are meeting the goals and objectives of management especially related to the level of cost recovery attained. In addition, the department's review of publication sales activities should consider all operating costs including employee salaries and fringe benefits.

B. Document comprehensive periodic cost recovery analyses of the activities associated with nursery stock production and sales to determine if costs are recovered in accordance with management's objectives.

AUDITEE'S RESPONSE

As discussed with the auditors, it is not the intent of the Department to recover all costs associated with books, videos, gift shop items, and seedlings grown in our nursery. Although we price items to ensure all direct costs are covered, it is not our intent to recover indirect costs, such as personnel, fringe benefits, storage, and administrative costs. These items are offered for sale to citizens as a public service and in furtherance of our strategic goals and, therefore, the indirect costs associated with this service are absorbed by the Department.

6. Public Records

The MDC does not document roll call votes taken in closed session and does not always report decisions made in the closed sessions in the department's public records as required by state law. In addition, the MDC discusses issues in closed session which do not appear to be allowable for closed session under state law. Finally, the MDC did not maintain adequate documentation of the determination for the hourly rate charged for providing research and copies of public records.

A.1. Many commission decisions made during closed session do not appear to be made by roll call vote as required by Section 610.015, RSMo. Additionally, some decisions made during closed session meetings were not reported in the department's open records in compliance with Section 610.021, RSMo.

State law requires actions taken during closed meetings/sessions be conducted by roll call vote, and the votes taken be documented including the commission member's name and specific vote. In addition, although state law allows the permanent closure of certain information, certain final decisions must be reported in the open records immediately or within a specific time frame.

2. The MDC did not document how some items discussed in closed session complied with state law. These items included proposed benefit plan elements, current financial status, contractor compliance with existing contracts, pending legislation, and policy adoption.

   Section 610.021, RSMo, allows the commission to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The commission should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

B. The MDC policy for providing assistance and information includes a 10 cent per page copy fee but does not indicate an hourly fee for duplicating or research time. The MDC informal policy is to charge a flat $10 fee for duplicating time or research on most requests. For large requests, the MDC will determine the actual cost for duplicating and research The department did not provide documentation to justify how they arrived at these fees.

   Section 610.026, RSMo, allows the commission to charge an hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the department and the actual cost of research time. Fees for providing public records maintained on computers and other electronic media are limited to the actual cost of the copies, staff time (not to exceed the average hourly rate of pay for the department's staff required for preparing the copies or programming), and the cost of the disk, tape, or other electronic storage device.

It should be noted that we were not allowed access to all commission meeting minutes. Certain information in the minutes for closed sessions was intentionally withheld from our review based on the department's interpretation of state law. This included information regarding real estate transactions, personnel actions, and items pertaining to potential or actual legal actions. The comments and recommendations in this section of our report should be read with the understanding that all findings with regard to the minutes of commission meetings may not be included.

WE RECOMMEND the MDC:

A.1. Conduct and record all actions taken in closed session by roll call vote and disclose the final votes taken in closed session as required by state law.

2. Ensure only allowable, specified subjects are discussed in closed session as required by state law.

B. Review and retain documentation of the justification for fees charged for photocopying, research, proprietary information requests, and database copies.

AUDITEE'S RESPONSE

A. Failure to publicly disclose the final votes taken in closed session regarding our reorganization plans was simply an oversight. Although the closed minutes may not have specifically named each of the four Commissioners and how they individually voted, the minutes stated the vote was unanimous or it was the consensus of the Commission, thereby indicating all four Commissioners voted in the manner noted. We will ensure future minutes clearly report roll call votes. The Director's Office staff currently reviews the agendas for the open and closed sessions in advance, statutory references for items discussed in closed session are documented on the agenda, and a concerted effort is made to ensure all action items decided in closed session are also on the agenda for the open session.

B. Fees charged for open records requests were reviewed in 2001; however, we will review and update these fees and ensure the documentation is retained. The updated fee structure should be in effect by December 31, 2005.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

DEPARTMENT OF CONSERVATION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Conservation on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2002 and our Special Review of the Department of Conservation Oversight of Land Acquisition, Capital Improvements, and Related Programs issued on October 3, 2002. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the department should consider implementing those recommendations.

1. Food Costs

   Some food expenditures in the department lacked adequate supporting documentation. In addition, some food expenditures did not appear to be prudent uses of public monies and were not necessary to accomplish the mission of the department.

   Recommendation

   The department maintain adequate supporting documentation for food expenditures and ensure expenditures are reasonable and necessary to the mission of the department.

   Status

   Partially implemented. The department has updated their policy for agency provided food. This policy appears to be in compliance with the Office of Administration (OA) policy, SP-5 Agency Provided Food. The department maintains adequate supporting documentation for food expenditures; however, the department has not reduced overall levels of expenditure for agency provided food. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Expenditures

   A. Expenses incurred for a training session held in Osage Beach would have been reduced if the training had been held at a Jefferson City facility.

   B. Consulting services for the Missouri Conservation Commission Employees' Benefits Plan Board of Trustees were not competitively procured.

   C. Adequate supporting documentation was not maintained for expenses related to attending a conference.

   D. Expenditures for some recognition awards were unreasonable.

E. Expenditures for exercise equipment were not a reasonable and prudent use of state monies.

Recommendation

A. Review expenditures for future training sessions and ensure the costs are reasonable and necessary.

B. Ensure the Board of Trustees obtains competitive bids for goods and services.

C. Maintain adequate supporting documentation for expenditures.

D. Reevaluate expenditures for recognition awards.

E. Reevaluate expenditures for exercise equipment.

Status

A-C. Implemented.

D. Not implemented. See MAR finding number 2.

E. Implemented. Although the department did not purchase any new equipment, they still maintain the current equipment and exercise facility.

3. Personal Use of State Property

The department allowed employees to use department owned boats and motors for personal use.

Recommendation

The department discontinue the policy that allows employees the use of department owned boats for personal use.

Status

Implemented.

4. Vehicle Logs

The department did not maintain vehicle usage logs for department vehicles.

Recommendation

The department maintain mileage logs for all on-road department vehicles as required by OA policy. These logs should be periodically reviewed for propriety.

Status

Not implemented. See MAR finding number 4.

5. Disaster Recovery Plan

The department did not maintain a formal written disaster recovery plan to be used in the event of a fire or some other type of disaster.

Recommendation

The department develop a formal written disaster recovery plan which is periodically tested and reevaluated.

Status

Partially implemented. The department is in the process of developing a disaster recovery plan which will consider alternate hardware sources, program and data recovery procedures, and temporary relocation of employees to alternate locations for those who require SAM II access. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Funeral Leave Policy

The department's policy allowed supervisors to authorize paid time off and travel expenses for employees to attend funerals for department staff and their immediate families. The department did not track the costs of this benefit and, therefore, could not determine the overall expense to the department.

Recommendation

The department review the reasonableness and necessity of this policy.

Status

Not implemented. The department's policy currently remains in effect and the department still does not track the costs of this benefit and, therefore, could not determine the overall expense to the department. Although not repeated in the current MAR, our recommendation remains as stated above.

SPECIAL REVIEW OF DEPARTMENT OF CONSERVATION OVERSIGHT OF LAND ACQUISTION, CAPITAL IMPROVEMENTS, AND RELATED PROGRAMS

1. Improvements Are Needed in Budget Planning Process

The department's budget planning process may have underestimated future expenditures and had not adequately estimated operating and maintenance cost increases for new or aging facilities.

Recommendation

1.1 Develop plans to control future increases in operating expenditures and address future infrastructure maintenance requirements.

1.2 Require department personnel to address operating costs on all projects or programs during initial planning.

1.3 Institute procedures that require a formal assessment of project specifications prior to formulation of initial internal cost estimates.

Status

1.1 Partially implemented. Although the department has identified the need for a comprehensive long-range projection of facility repair and renovation to ensure adequate funding, this has not been completed nor addressed in an updated strategic plan. See MAR finding number 1.

1.2 Implemented.

1.3 Not implemented. We reviewed the one project implemented after the release of the audit report and noted that the initial project estimate was still approximately 50 percent under the engineer's cost estimate. The project has not reached final construction, so a comparison of the cost estimates to the project's final cost could not be performed. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Improved Oversight of Private Organizations Is Needed

The department had not included adequate oversight provisions in many agreements with private not-for-profit organizations and had not properly monitored activities of the agreements.

Recommendation

2.1 Establish oversight provisions for inclusion in agreements with private organizations that receive state funds by requiring:

- A summary of goals or objectives of the program/project.
- A detailed budget that outlines the planned use of state funds.
- Access to financial records of the grantee and/or audited financial statements.
- An annual report of accomplishments.

2.2 Monitor private organizations to ensure requirements are met, state funds are used in accordance with agreements, and results are achieved as agreed by:

- Reviewing financial data or audited financial statements.
- Making site visits and/or conducting adequate program reviews.
- Formally assessing yearly accomplishments prior to renewing agreements.

Status

Partially implemented. See MAR finding number 2.

3. Efforts to Address Strategic Planning Have Not Ensured Accountability

The department had not fully implemented the results-based strategic planning process. The department had not established specific goals to be achieved; used data to measure and/or report on progress achieved; restricted the number of performance measures used; adequately defined the extent of the problem; and assessed the impact of other programs and resources when implementing strategies. In addition, the department had not adequately linked the budget process to strategic planning; adequately trained key personnel involved in the strategic planning process; and adhered to strategic planning guidance. As a result, the department officials could not be assured that state funds expended for conservation land management programs and projects were accomplishing intended goals.

Recommendation: The Director, Department of Conservation, strengthen the department's strategic planning process by:

3.1 Improving the performance measurement process by using trend data to measure and support results achieved, defining how much improvement is needed, and restricting the use of performance measures.

3.2 Establishing problem statements that are well supported and based on appropriate data.

3.3 Assessing the impact of other public, state or federal programs when determining department needs and planning strategies.

3.4 Conducting valid market analyses to determine whether the public will support and utilize proposed projects or programs.

3.5 Organizing the strategic plan on a division basis to enhance the link between the plan and budgeting process.

3.6 Providing training to department personnel to ensure results-based planning efforts will be effective.

3.7 Adhering to state-issued guidance on the strategic planning process by developing specific strategies to accomplish department goals and using common terminology when formulating the plan.

<u>Status</u>

3.1 Partially implemented. The department reduced the number of performance measures in the fiscal year 2004 plan by 57 percent to a total of 58 measures. See MAR finding number 1.

3.2 Implemented.

3.3 Implemented.

3.4 The status of this recommendation is not determinable. The department has not implemented new programs or construction activities for major projects since the recommendation was made. Although not repeated in the current MAR, our recommendation remains as stated above.

3.5 Not implemented. See MAR finding number 1.

3.6 Implemented.

3.7 Not implemented. The fiscal year 2004 strategic plan does not include common terminology or use a common structure as recommended by the Governor's and the Office of Administration's guidance for strategic planning. See MAR finding number 1.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF CONSERVATION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Department of Conservation is constitutionally created pursuant to Article IV, Sections 40(a) and 46. The general functions of the department are to control, manage, restore, conserve, and regulate all bird, fish, game, forestry, and wildlife resources of the state. At June 30, 2004, the department owned 776,294 acres of land in the state.

The department is headed by a four-member bipartisan commission, appointed by the Governor with the advice and consent of the Senate. They serve without compensation for staggered six-year terms. The commission members at June 30, 2004, were:

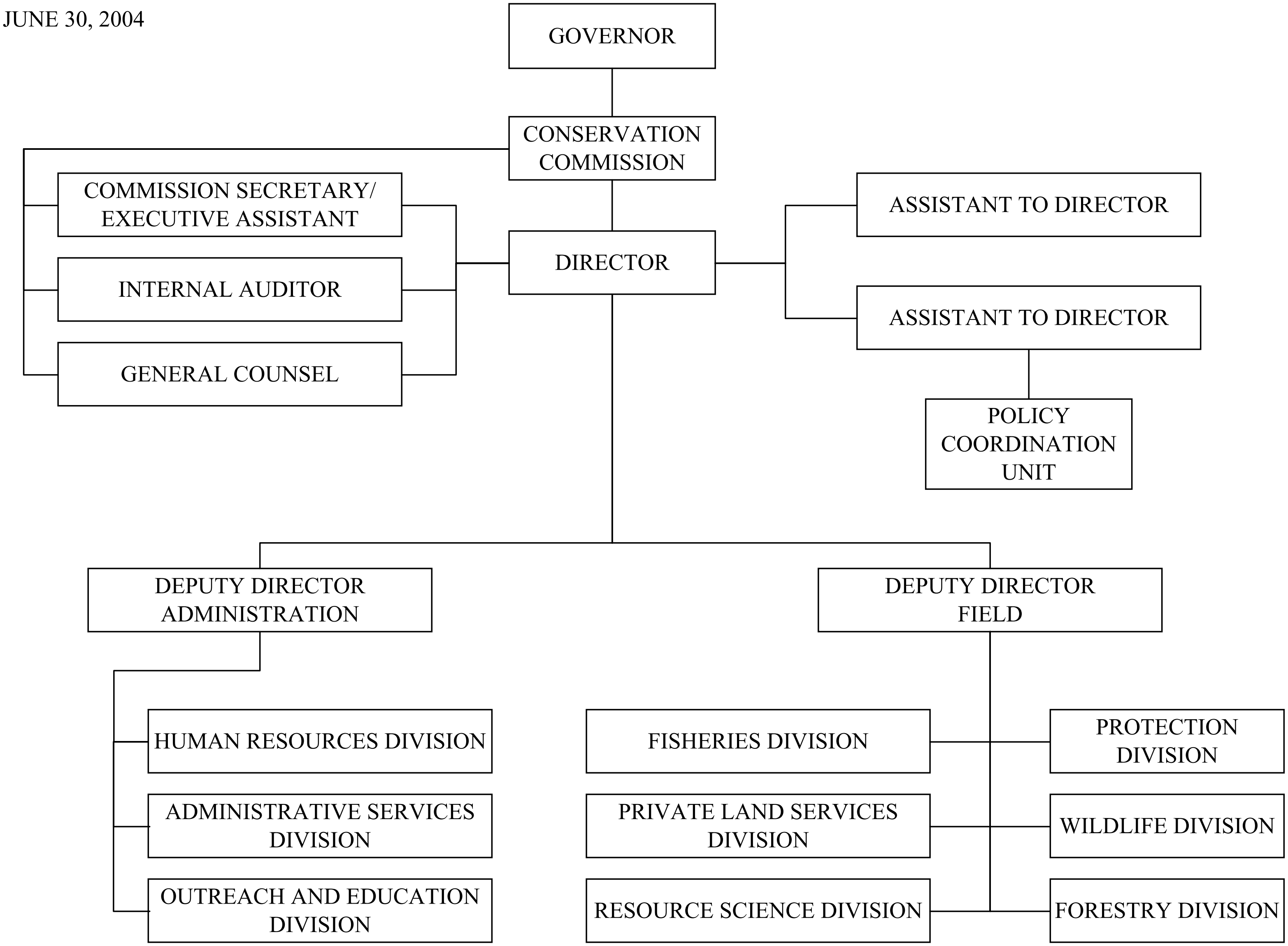
Commissioner	Term Expires
Stephen C. Bradford	July 1, 2007
Anita B. Gorman	July 1, 2005
Cynthia Metcalfe	July 1, 2007
Lowell F. Mohler	July 1, 2009

The commission appoints a director who serves as the administrative officer of the Department of Conservation. The director appoints other employees and is assisted by two deputy directors with programs carried out by the divisions of fisheries, wildlife, forestry, protection, private land services, resource and development, outreach and education, administrative services, and human resources. Two assistants to director provide leadership for special projects and initiatives as assigned by the director: notably congressional and legislative liaison, interagency coordination, policy development and communication, media development, public use committee leadership, partnerships with other entities, etc.

John Hoskins was appointed Director effective July 1, 2002. At June 30, 2004, the department employed approximately 1,505 full-time and 730 part-time individuals.

An organization chart follows.

DEPARTMENT OF CONSERVATION
ORGANIZATION CHART
JUNE 30, 2004



Appendix A

DEPARTMENT OF CONSERVATION
CONSERVATION COMMISSION FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING USES, AND CHANGES IN CASH AND INVESTMENTS

		Year Ended June 30,	
		2004	2003
RECEIPTS			
Sales and use tax	$	93,488,139	89,855,329
Permit sales		30,592,207	29,935,814
Sales, rentals, and leases		7,579,996	6,688,103
Federal reimbursements		15,401,295	13,810,531
Interest		589,553	744,851
Donations, refunds, and miscellaneous		3,542,080	3,124,859
Total Receipts		151,193,270	144,159,487
DISBURSEMENTS			
Personal service		60,850,051	59,996,771
Employee fringe benefits		19,170,318	18,336,004
Operations		51,625,939	46,687,725
Capital improvements and acquisitions		15,825,561	15,195,945
Total Disbursements		147,471,869	140,216,445
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES		3,721,401	3,943,042
OTHER FINANCING USES			
Appropriations exercised by other state agencies			
OA - Insurance and legal expense		583,595	355,086
OA - Worker's compensation		104,390	34,792
OA - Unemployment insurance		132,510	148,890
Office of the State Auditor		37,809	39,271
Department of Revenue		546,213	504,988
Total		1,404,517	1,083,027
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES		2,316,884	2,860,015
CASH AND INVESTMENTS, JULY 1		27,218,529	24,358,514
CASH AND INVESTMENTS, JUNE 30	$	29,535,413	27,218,529

Appendix B

DEPARTMENT OF CONSERVATION
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

		Year Ended June 30,						
		2004				2003		
		Appropriation Authority	Expenditures	Lapsed Balances		Appropriation Authority	Expenditures	Lapsed Balances
CONSERVATION COMMISSION FUND								
Conservation Programs	$	126,951,038	121,157,290	5,793,748		125,071,345	114,707,683	10,363,662
MDC Construction		18,386,774	68,947	18,317,827 *		33,535,328	15,148,554	18,386,774 *
Statewide Construction		50,000,000	15,614,685	34,385,315 *		0	0	0
Total Conservation Commission Fund	$	195,337,812	136,840,922	58,496,890		158,606,673	129,856,237	28,750,436

* Biennial appropriations

Appendix C

DEPARTMENT OF CONSERVATION
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2004	2003	2002	2001	2000
Salaries and wages	$ 61,862,996	60,879,272	62,090,931	61,277,297	56,483,375
Benefits	7,921,277	7,656,202	4,834,207	4,535,245	3,766,831
Travel, in-state	1,710,335	1,576,510	1,979,578	2,020,610	2,222,901
Travel, out-of-state	191,149	240,361	260,114	299,624	280,576
Fuel and utilities	1,464,886	1,424,956	1,213,529	1,226,810	1,042,694
Supplies	14,811,623	11,492,568	11,561,115	11,844,685	11,087,640
Professional development	552,836	512,878	595,772	630,093	582,206
Communication service and supplies	1,439,916	1,449,355	1,369,444	1,221,456	1,157,150
Services:					
Health	0	0	0	154,201	130,871
Business	0	0	0	5,911,663	3,533,856
Professional	11,180,458	9,259,590	9,061,061	2,086,642	5,671,844
Housekeeping and janitorial	818,860	817,474	609,988	546,333	457,305
Maintenance and repair	1,812,036	1,718,252	1,466,927	0	0
Equipment maintenance and repair	0	0	0	835,135	583,507
Transportation maintenance and repair	0	0	0	810,180	992,899
Equipment:					
Computer	1,740,536	1,905,788	2,040,269	3,062,729	2,034,146
Educational	0	0	0	56,523	39,577
Electronic and photographic	0	0	0	686,296	670,304
Medical and laboratory	0	0	0	20,364	38,973
Motorized	7,707,842	6,435,239	4,205,280	6,080,519	10,304,572
Office	269,489	236,748	170,729	555,781	549,331
Other	2,970,379	2,660,840	1,394,150	0	0
Specific use	0	0	0	968,637	915,453
Stationary	0	0	0	94,339	129,356
Property and improvements	10,852,560	14,160,889	15,892,428	22,233,739	23,920,976
Debt service	0	0	0	0	78,035
Building lease payments	664,141	621,502	718,075	708,827	643,563
Equipment rental and leases	1,663,201	1,101,090	557,240	0	0
Equipment lease payments	0	0	0	386,826	308,028
Building and equipment rentals	0	0	0	0	47,999
Miscellaneous expenses	1,644,366	1,718,887	2,776,968	1,695,996	2,081,271
Refunds	136,818	148,792	183,224	96,668	104,036
Program distributions	5,425,221	3,839,042	3,364,864	3,269,723	2,542,950
Total Expenditures	$ 136,840,922	129,856,236	126,345,892	133,316,942	132,402,224

Note: Certain classifications of expenditures changed during the five-year period, which may affect the comparability of the amounts.

Appendix D

DEPARTMENT OF CONSERVATION
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
TWO YEARS ENDED JUNE 30, 2004

	Equipment		Buildings	Land	Construction in Progress		Total General Fixed Assets
BALANCE, July 1, 2002	$ 69,286,070		65,579,681	297,660,831	11,846,953		444,373,535
Adjustments	294,952	(1)	0	0	(527,573)	(3)	(232,621)
Additions	10,035,163		7,240,054	2,295,558	2,203,985		21,774,760
Dispositions	(5,641,486)		(6,839)	(84,485)	(7,062,658)		(12,795,468)
BALANCE, June 30, 2003	73,974,699		72,812,896	299,871,904	6,460,707		453,120,206
Adjustments	(276,613)	(2)	0	0	(331,950)	(3)	(608,563)
Additions	9,912,109		2,072,371	2,783,279	4,773,349		19,541,108
Dispositions	(7,967,317)		(330,371)	(89,537)	(1,541,565)		(9,928,790)
BALANCE, June 30, 2004	$ 75,642,878		74,554,896	302,565,646	9,360,541		462,123,961

(1) Adjustments for upgrades to data processing equipment and vehicle preparation costs.
(2) Adjustments for upgrades to data processing equipment, data conversion corrections, and vehicle preparation costs.
(3) Adjustment to remove infrastructure originally recorded as construction in process.