

EXECUTIVE DIGEST

CASH FUNCTIONS

INTRODUCTION

This report, issued in November 1998, contains the results of our performance audit* of Cash Functions, Department of Natural Resources (DNR).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

DNR receives cash* from a number of different sources. Cash is received through the mail and in person within DNR. Cash is ultimately processed by the cashier's office and deposited with the Department of Treasury. During fiscal year 1996-97, approximately \$53 million was collected centrally in Lansing.

DNR also collects cash at approximately 425 different field sites*. Approximately 145 of these sites serve as field deposit sites* . Some field deposit sites are responsible for making deposits for a number of remote field locations. These field deposit sites deposit cash into a State Treasurer's account at a local bank and fax a copy of the deposit ticket to the cashier's office in Lansing for entry

into the State's accounting system. During fiscal year 1996-97, approximately \$43 million was deposited locally by field deposit sites and processed by the cashier's office in Lansing.

DNR administers several conservation and recreation related special revenue funds, a capital projects fund, and an enterprise fund. The enabling legislation for the five special revenue funds requires that a portion of each fund be retained for permanent investment. As of September 30, 1997, the amounts held for permanent investments for the five funds totaled approximately \$263.1 million.

**AUDIT OBJECTIVE,
CONCLUSION, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness and efficiency of DNR's cash handling processes and special revenue fund investments.

Conclusion: DNR's cash handling processes and investment of special revenue funds were generally effective and efficient. However, our assessment disclosed reportable conditions* relating to funds held as permanent investments, cash received by mail, auctions of tax reverted land*, fee enforcement, fee safes* , mail logs* , restrictive endorsement of checks, and timely deposits of cash receipts (Findings 1 through 8).

Noteworthy Accomplishments: DNR had identified the need for an independent review of cash functions and was receptive to our suggestions and assistance throughout the audit.

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the cash functions and other records of the Department of Natural Resources. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our objective, we examined DNR's records and activities covering the period October 1, 1995 through March 31, 1998. We studied legislation, administrative rules, management plans, DNR policies and procedures, and other reports and manuals. We obtained an understanding of the internal control structure* for DNR's cash functions. We observed daily activities and interviewed staff responsible for the opening and distribution of cash received through the mail. We observed daily activities and interviewed staff responsible for the daily cash receipts and deposit processes at DNR's central office in Lansing, including the cashier's office and the individual divisions.

We visited several field locations having cash collection and processing responsibilities. We interviewed field staff and observed daily operations to identify the mechanisms used and procedures in place for collecting, handling, depositing, and recording cash collections.

We observed an auction of tax reverted land, conducted by DNR staff in Flint, to evaluate the effectiveness of procedures for collecting, safeguarding, recording, and depositing cash receipts.

We reviewed DNR's investment activities for special revenue funds, specifically those funds held for permanent investment or restricted to expend only interest and earnings. We compared DNR's investment activities to other State funds' investment activities, as well as market indexes.

AGENCY RESPONSES

Our audit report contains 8 findings and 9 corresponding recommendations. DNR's preliminary response indicates that it agrees with 8 recommendations and neither agrees or disagrees with 1 recommendation.