Secretary of State Audit Report

Jeanne P. Atkins, Secretary of State

Mary Wenger, Interim Director, Audits Division

Oregon's Department of Fish and Wildlife Needs a Comprehensive Management Strategy to Prioritize Workload and Plan for the Future

Executive Summary

Oregon's Department of Fish and Wildlife (ODFW) has focused on short-term goals, but recurring budget shortfalls have made it difficult for the agency to accomplish everything within its mission. Today's challenging environment requires ODFW to focus efforts by establishing a comprehensive management strategy, including a long-term plan for how to sustain operations.

Growing challenges need long-term strategy

Oregon's Department of Fish and Wildlife, like other natural resource agencies across the nation, is facing difficult challenges. Expenses are growing and outpacing revenues. Responsibilities are expanding. Fish and wildlife management has an increased workload to protect species and enhance habitats.

As pointed out in our previous audit (ODFW Financial Condition Review, Report No. 2015-09), ODFW's temporary funding solutions have not addressed its rising expenses and recurring budget shortfalls. For example, the agency cut positions, including some vacant ones, and has deferred maintenance year after year. Staff are stretched across growing workloads, and millions of dollars in capital projects will be required for fish hatcheries and other facilities to maintain current operations in the future.

Oregon has had difficulty with its efforts to increase resources. Commercial fishing fees have not increased since 1989 to help fund the fish Restoration and Enhancement program. In recent years, measures to increase wildlife conservation funding have only met a small fraction of the need. The steady decline of hunters and anglers puts the future of reliable licensing revenues in jeopardy. In 2015, a taskforce was established by the Oregon Legislature to explore alternative funding options for ODFW.

The widening gap between responsibilities and resources makes effectively addressing ODFW's seven co-equal state goals unsustainable. We heard numerous concerns that everything was a priority. Field offices are struggling with their workloads due to rising expectations, lack of resources, and little strategic direction.

ODFW owns and operates a large portfolio of capital assets. These assets include hatcheries, field offices, wildlife areas, fishing ponds, and other properties. Over the years properties have been acquired without a comprehensive asset planning and maintenance strategy. As a result, some of ODFW's properties are neglected.

ODFW has not done long-term, agency–wide strategic planning. Agency leadership needs a comprehensive management strategy to provide clarity of the agency's vision and expectations, and to guide the agency into the future. This should include a holistic look at all of the agency's responsibilities, so that it can set priorities given available resources. This will help ODFW leadership be proactive in managing what they do and how they do it, better meet new challenges, and respond to additional federal and state mandates or directives.

In developing the management strategy, ODFW should pay particular attention to its practices related to internal communication, goal setting, alignment of workload to mission critical responsibilities and resources, succession planning, and calculating the full cost of service delivery and maintenance.

To more effectively achieve its mission, we recommend ODFW develop and implement a long-term comprehensive management strategy. This should include a holistic process to identify key priorities and an alignment of workload and resources to the priorities (see Page 22 for the detailed recommendations).

Agency Response

The agency response is attached at the end of the report.

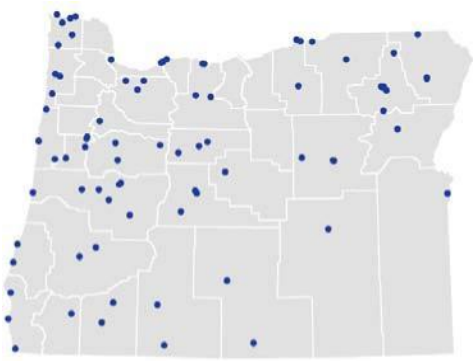
Background

Fish and wildlife in Oregon

Oregon has a rich variety of habitats, where a broad array of wildlife provides aesthetic and recreational opportunities. The Oregon Department of Fish and Wildlife (ODFW) is responsible for protecting and enhancing fish and wildlife, and their habitats for use by present and future generations.

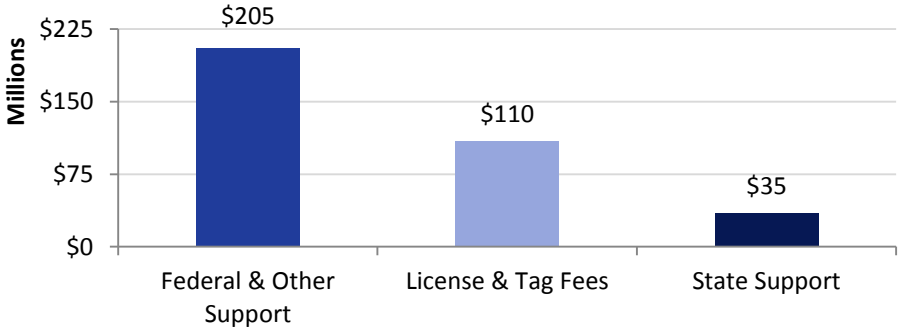
Headquartered in Salem, ODFW sets and implements the state's wildlife regulations. The agency has approximately 100 locations across the state, including district offices, research centers, fish hatcheries, maintenance shops, and wildlife areas. See Figure 1.

Figure 1: Map of ODFW Locations



ODFW has a biennial budget of approximately $350 million and 1,200 full time employees. License and tag fees generate about one-third of the budget. State support from the General Fund and the Lottery covers about 10 percent of spending. Federal funding along with some other support, such as grants, cover the rest of ODFW's operations, as shown in Figure 2. Most federal funds can only be used to address specific issues such as hydropower mitigation.

Figure 2: ODFW Revenue Sources, 2015-17



Note: Some federal funding was collected from excise taxes on hunting and angling equipment. Those funds require a state match generated from hunting and angling license sales and can only be used for specific activities.

Insufficient revenues to sustain current operations

In our previous audit (ODFW Financial Condition Review, Report No. 2015-09), we assessed ODFW's financial health and discussed the imbalance in its revenues, expenses, and scope of responsibilities. This report focuses on management strategies to address the gap between ODFW's resources and responsibilities.

While ODFW's revenues have been stable, expenses have grown faster than revenues for many years. Personnel and enforcement expenses, inflation, expanding responsibilities, and a growing backlog of maintenance are driving up spending needs.

There are mounting pressures on revenues, such as the steady decline in hunters and anglers, and an expected decline in federal support.

With the agency's expenses outpacing revenues, its operating reserves have been routinely depleted. Although shortfalls have been dealt with in part, by fee increases and staffing reductions, ODFW has not been able to address the underlying nature of this problem.

Recurring cash flow problems

ODFW has experienced cyclical, but increasing gaps between projected revenues and the cost to maintain current services. As shown in Figure 3, the estimated budget shortfall roughly doubled between each fee increase.

Figure 3: Estimated Shortfalls to Maintain Current Service Levels, 2003-2017

Budget Year	Estimated Budget Shortfall	Year License and Tag Fees Increased
2003-2005	$8 million	2004
2009-2011	$17 million	2010
2015-2017	$32 million	2016

Fee increases have been a recurring issue since 1975

"Could you supply me with an explanation of the increase in fish and game licenses, also why it was proposed?"

Archived Memo from Senate Majority Leader Fred Heard (D-Klamath Falls) to Legislative Fiscal Office in 1975

Legislative Fiscal's response included *"Simply stated, the problem of the Wildlife Commission is that the cost of inflation is outstripping the growth rate of [license revenue]."*

Optimistic revenue projections, increasing expenses, and the use of reserves have all contributed to the agency's cash flow problem.

Recurring budget crises have resulted in unsustainable operations at ODFW. Improved financial planning, such as more robust forecasting, could help the agency be more proactive in meeting future challenges and avoid the recurring budget crises.

Operating reserves need to be more sustainable

ODFW's current business model builds higher operating reserves during the start of its six-year fee cycle. Reserves are then drawn down over that time.

Operating reserves are unrestricted funds that help provide financial stability when there are unpredictable events such as a recession. ODFW's reserves also allow it to cover payroll and other expenses while waiting for federal reimbursements that can take up to a year.

According to ODFW, the agency needs at least $13 million in reserves to cover one month's expenses. Despite recent improvements to its reserve balance and cash flow (ODFW reported Operating Reserve of $16.3 million as of September 30, 2015), the agency expects to spend down reserves by over $1 million per year over the current six-year fee cycle.

To help prevent shortfalls in the future, ODFW should strive to maintain an adequate level of reserves. Reserve goals typically cover multiple months' expenses. An organization needs to set its own reserve goal, as it depends on factors such as cash flow and expenses. For example, organizations with regular and reliable payments do not need as much in reserves as those that have periodic or seasonal revenues and expenditures.

Finances could worsen

The pressure for expenditure growth is likely to remain high. Contributing factors include the 2015 PERS ruling overturning earlier statewide pension reforms and the deferred maintenance of capital assets.

ODFW pension expenses roughly doubled from $8 million to $14 million between 2009 and 2013

Estimates suggest statewide pension expenses will increase up to $870 million due to the 2015 PERS ruling. This will dramatically increase state agencies' personnel expenses. An exact estimate for ODFW has not been calculated, but it will likely be an increase of several million dollars.

The large backlog of deferred maintenance is also another contributor to increased expenditure growth. This is described in more detail beginning on Page 13.

The current outlook for revenues is at best uncertain. Some ODFW officials expect federal funding will decline. Making matters worse, Oregon lottery contributions have not increased in value since 2005.

License sales may increase if efforts to recruit, retain, and reactivate license holders are successful. Continued improvement in the economy could also boost sales. However, fewer salmon returning due to the recent drought and poor ocean conditions may contribute to a lower demand for licenses over the next few years.

Past agency projections have a history of being too optimistic. Actual revenues were $11 million short of expectations the last time fees increased.

Audit Results

Recurring budget shortfalls highlight the instability of ODFW's finances. ODFW cannot effectively achieve its mission when constantly facing these budget challenges.

ODFW needs to chart a new, stable course. The agency is facing both emerging challenges and problems that have existed for over 100 years. Solutions require long-term, focused efforts. A comprehensive management strategy will help the agency bridge the gap between current responsibilities and available resources.

Trying to accomplish everything has been unrealistic and unsustainable

"Every six years, we were asked to raise our fee increases to support [ODFW] just to maintain the status quo. You know status quo is losing anglers, so it's not working. We don't want to see fee increases, especially as significant as the ones we're facing right now, to maintain the status quo."

Executive Director of Northwest Steelheaders, conservation and fishing advocacy group in June 2015

One of the challenges ODFW faces is an extremely broad and sometimes conflicting state wildlife policy (ORS 496.012). ODFW's mission spans every acre of our state; the agency is responsible for management of all wildlife species in Oregon. The agency must both conserve species and regulate their harvest, as seen in the state's seven co-equal goals.

Figure 4: Oregon's Wildlife Policy

ORS 496.012 Wildlife policy. It is the policy of the State of Oregon that wildlife shall be managed to prevent serious depletion of any indigenous species and to provide the optimum recreational and aesthetic benefits for present and future generations of the citizens of this state. In furtherance of this policy, the State Fish and Wildlife Commission shall represent the public interest of the State of Oregon and implement the following coequal goals of wildlife management:

(1) To maintain all species of wildlife at optimum levels.

(2) To develop and manage the lands and waters of this state in a manner that will enhance the production and public enjoyment of wildlife.

(3) To permit an orderly and equitable utilization of available wildlife.

(4) To develop and maintain public access to the lands and waters of the state and the wildlife resources thereon.

(5) To regulate wildlife populations and the public enjoyment of wildlife in a manner that is compatible with primary uses of the lands and waters of the state.

(6) To provide optimum recreational benefits.

(7) To make decisions that affect wildlife resources of the state for the benefit of the wildlife resources and to make decisions that allow for the best social, economic and recreational utilization of wildlife resources by all user groups.

ODFW only directly manages 0.3% of Oregon's lands. It has limited authority to regulate how landowners manage their lands, a challenge given that private lands comprise almost half of the state. In order to

accomplish their mission, ODFW must work cooperatively with private landowners and other government agencies.

While field offices try their best to balance their responsibilities, they can be drawn in many different directions by state and federal policies, the governor, state legislators, individual stakeholders, and fluctuating management priorities.

Meanwhile, the agency has a budget that has not kept pace with increasing expectations.

Everything is viewed as a priority

Ultimately, ODFW only has the capacity to work on so many issues. Trying to satisfy everyone's demands is impossible given current resources.

We heard from field offices that everything has become a priority. This is partly due to ODFW's commitment to customer service and accommodating stakeholder needs. In addition to individual customers purchasing licenses, ODFW has a diverse group of stakeholders such as hunting and fishing associations, outdoor-sports industry, and non-profit conservation organizations. ODFW's customers and stakeholders are strong advocates for their priorities.

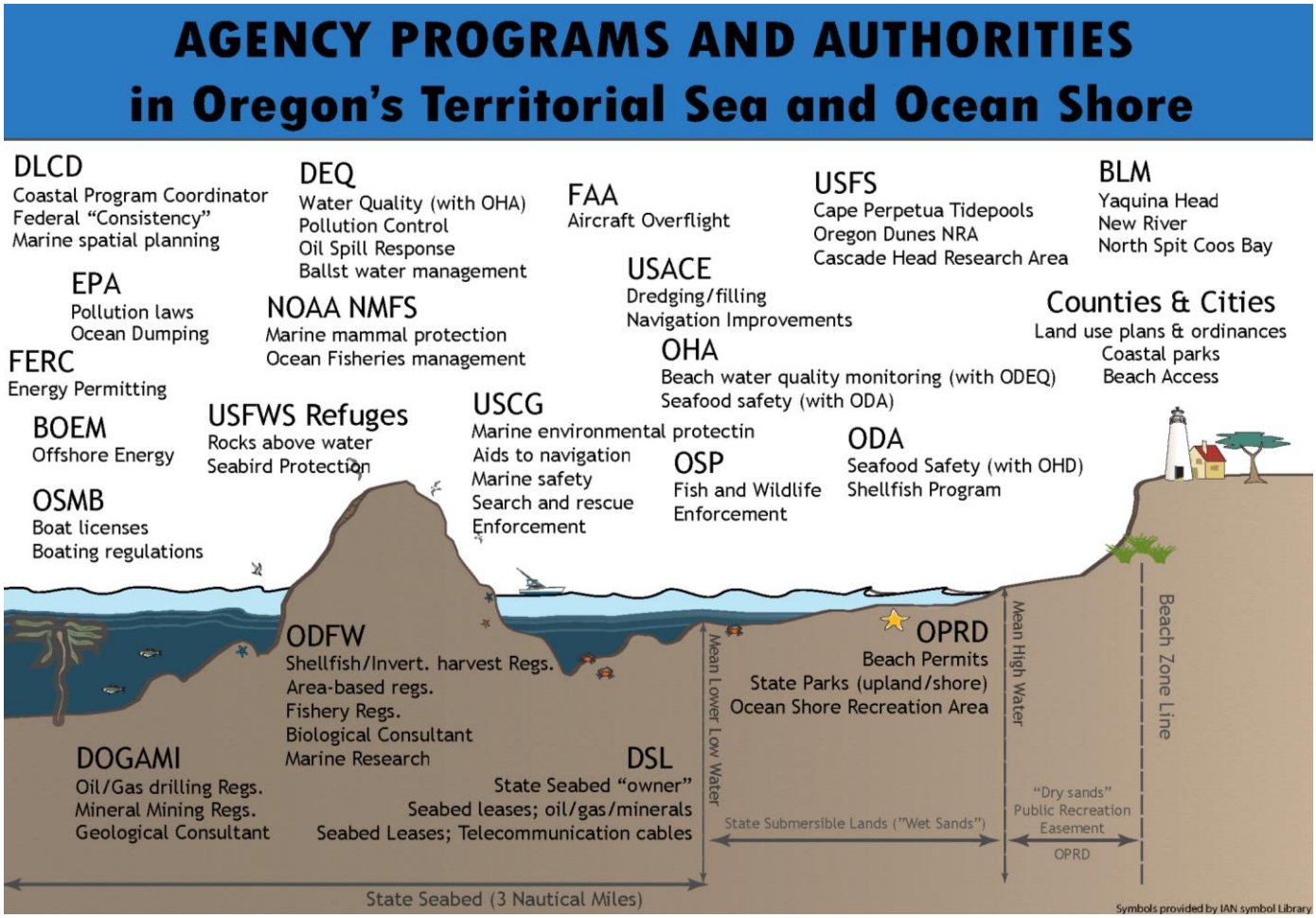
Oregon's efforts to protect Sage Grouse and prevent federal ESA listing involved ODFW and over 40 partner organizations and stakeholders.

ODFW also responds to directives from the Governor and the Legislature. For example, in 2012 the Governor directed ODFW to coordinate and implement salmon fishery reforms on the Columbia River. ODFW must also coordinate with many government agencies. For example, when dealing with species living in Oregon's territorial sea and along the ocean shore, ODFW needs to work with at least 19 different partners, not including cities and counties, as shown in Figure 5.

Decision making can often times be lengthy and complex. ODFW deals with difficult issues that can involve layers of decision makers and stakeholders. According to ODFW, stakeholder groups have assisted greatly in developing policy and management plans.

Building relationships with constituents, providing them with excellent customer service, and getting their input are important to an agency. Although without proper balance and clarity of expectations, it can be time consuming for staff, complicate processes, and make it challenging to reach consensus.

Figure 5: Local, State, and Federal Agencies involved in Management of Oregon's Coast



Source: ODFW and Oregon Department of Land Conservation and Development (DLCD)

Future workload likely to grow

Oregon's growing population, worsening conditions of the ocean, increasing work related to the Endangered Species Act (ESA), and changing climate are likely to continue to impact ODFW's workload. A recent study in the journal *Science* found climate change as a threat to 1 in 6 species.

Even without new ESA listings, ODFW will continue to see significant workload associated with threatened and endangered species. In Oregon, at least 50 ODFW employees worked on the proposed Sage Grouse listing at some point in the past few years; three worked full time. Despite the federal government's September 2015 decision to not list Sage Grouse, ODFW is still responsible for research and monitoring of this species.

Western gray wolves have re-established themselves in Oregon over the past decade. Although wolves are not a federally listed ESA species in all parts of Oregon, ODFW still has a role in monitoring the wolf population, as shown in Figure 6.

Figure 6: ODFW Employee Working on Wolf Monitoring

Changing wildlife populations and increasing human encroachment on fish and wildlife habitat add to staff workloads. For example, Figure 7 shows how the cougar population has increased.

Figure 7: Approximate Distribution of Cougars in Oregon, 1987-2014

1987 - 2000 2001 - 2014

Over the last 25 years, Oregon has added more than 1 million new residents. This trend is expected to continue, as Oregon's population is projected to reach 5 million around 2035. As urban areas expand into former farmland or forestland, more Oregonians face wildlife encounters. In 2014, ODFW staff addressed about 450 black bear and 350 cougar complaints. This not only poses a safety risk, but can become a field office's top priority.

More time will also need to be devoted to emerging issues relating to invasive species, energy development, and fish and wildlife health.

One lawsuit regarding the allocation of salmon to Native American tribes has been active in the courts since 1965.

Lawsuits, or the threat of lawsuits, contribute to ODFW's growing workload. ODFW is currently involved in seven lawsuits. Additionally in December 2015, three conservation groups sued ODFW over the removal of wolves from the state's list of endangered species. On the other hand, ranchers could have sued if ODFW did not follow the wolf management plan. Due to the conflicting interests of ODFW's constituents, new lawsuits are likely to continue to drain resources in the future.

Increasing resources has been difficult

Oregon has had some success in enhancing support of fish and wildlife activities within the state, but that support is not stable.

"I cannot afford these fee increases any longer. The fees are too much."

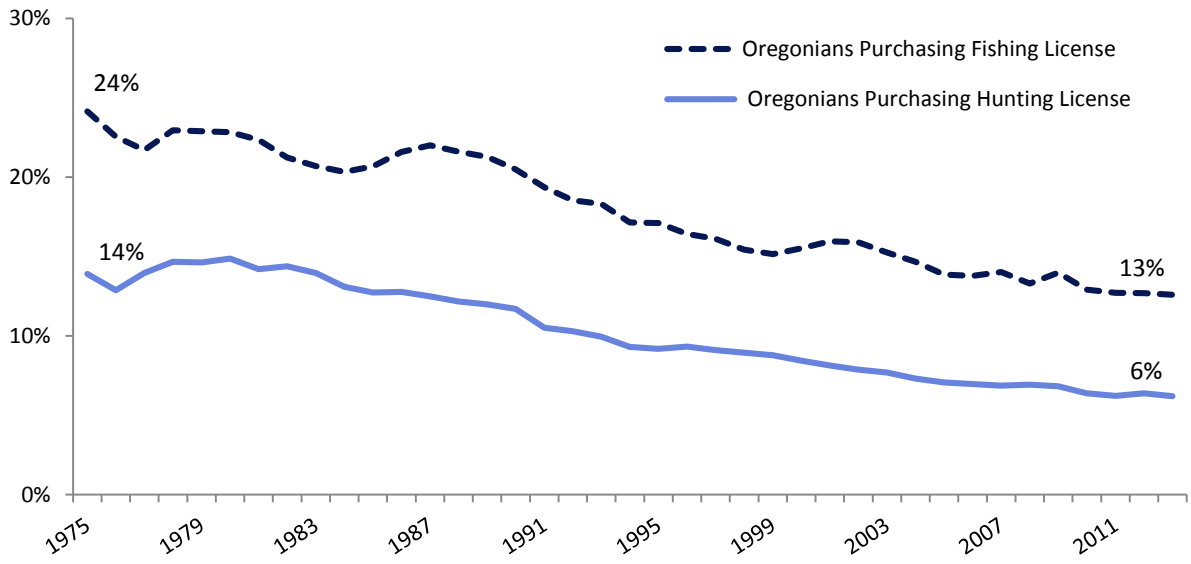
Gresham Angler testifying before Oregon Legislature in 2015

Regular increases in user fees may be nearing a limit

Increases to hunting and fishing fees may be approaching a limit for users. In 2015, there was significant opposition to increasing fees. As fees increase, users can be priced out of hunting and fishing activities. As these are recreational activities, users can easily change how they spend their time and money.

The agency relies heavily on users to fund its broad range of fish, wildlife, and habitat activities. Fees based on such voluntary participation are not as reliable as required professional fees collected by some agencies. A steady decline in users, as noted in Figure 8, puts pressure on license revenues. It will become more difficult to rely on user revenues if these trends continue.

Figure 8: Hunting and Fishing Participation in Oregon



Commercial fees comprise a declining portion of salmon restoration

Unlike recreational fees, commercial fishing surcharges have not increased over time to help fund the fish Restoration and Enhancement (R&E) program. This program, described in more detail on Page 15, provides for salmon restoration and enhancement projects ranging from repairing hatchery equipment to rebuilding streambeds.

The 5¢ commercial poundage fee set in 1989 would approximately equal 10¢ today when adjusted for inflation.

When R&E started in 1989, approximately 30% of funds came from commercial sources. Recreational surcharges were doubled to keep pace with inflation when the program was reauthorized in 2009, but commercial

surcharges were left unchanged. Now only 10% comes from the commercial industry.

An argument could be made that since Oregon's commercial salmon industry has declined significantly since the 1980s, the commercial surcharges should not be raised. In 1989, Oregon's salmon populations were not protected as a threatened or endangered species. As of 2015, about 10 species have protections that restrict commercial harvest.

On the other hand, state-run hatcheries support the commercial salmon industry. Estimates suggest 75% of the salmon commercially harvested were raised by hatcheries.

ODFW conservation efforts receive little direct public support

Donations and sales of goods in support of ODFW's conservation efforts have been small. Although these efforts raised approximately $80,000 over the past two years, as shown in Figure 9, they are not enough to pay for the salary and benefits of even one full-time conservation biologist.

Figure 9: State-Generated Revenues for Non-Game Wildlife and Conservation Efforts

	2011-13 Biennium	2013-15 Biennium*
State Tax Return Donations for Non-Game Wildlife	$127,400	$44,900
Sales of Habitat Conservation Stamp & Art Prints	$10,800	$19,400
Proceeds from sale of Duck Pond Cellars Conservation Cuvee (*starting in 2014*)	$0	$14,700
Total	$138,200	$79,000

Source: ODFW & Duck Pond Cellars. *2013-15 biennium is only through 5/31/2015

ODFW also has a parking permit program at many of its wildlife areas. Visitors, other than those with certain hunting or fishing licenses, pay a daily or annual parking permit fee. Parking revenues help improve habitat and infrastructure, enhance wildlife viewing, and provide enforcement of wildlife laws, including hunting and angling regulations. ODFW generates about $1 million every two years to support a variety of recreational opportunities at those wildlife areas.

Opportunities to address funding issues

In passing HB2402 in 2015, the Oregon Legislature established a taskforce to identify and recommend alternative funding sources and other opportunities for ODFW. These recommendations are due no later than September 15, 2016. This provides ODFW an opportunity to advocate and strategize with legislative partners and stakeholders on a state-level funding strategy.

We noted various efforts other states have taken to enhance support of fish and wildlife activities. See Appendix A for a table that lists strategies other

states have used to fund fish and wildlife efforts. The following are a few of those approaches.

Some states have dedicated a portion of sales taxes to fund wildlife conservation. This likely would not be an option in Oregon as voters historically reject sales tax measures. Another tax used in two states is a real estate transfer tax. A portion of the document recording fee on the transfer of real estate is dedicated to state wildlife agencies for land protection. Oregon currently has a constitutional ban on new real estate transfer taxes.

Many other states have wildlife license plates that fund habitat preservation and non-game wildlife conservation. Some also offer wildlife license plates that support specific activities like wildlife viewing and game management. Oregon has one license plate, the salmon plate, which supports fish recovery efforts. These proceeds are split between Oregon Parks and Recreation Department and the Oregon Watershed Enhancement Board.

Some states have a joint parking pass venture between their state parks and state wildlife areas. This provides a single parking pass to access key state recreational lands, and can help agencies attract new customers.

Recent federal pilot programs allow some federal grants to be pooled for more flexibility. According to the Association of Government Accountants, some environmental grants have been combined into one performance partnership grant to address management issues such as emergency situations and state-specific priorities. This approach has been used by multiple states.

Lack of long-term strategic direction has consequences

With its reactive culture, short-term planning, and challenges in managing priorities, ODFW leadership has made cuts using vacant positions while generally maintaining the expectations that programs and responsibilities continue. Also, limited planning and direction from management has contributed to deferred maintenance challenges and kept ODFW from adequately and proactively managing some properties.

Consequences of using vacant positions to save money

A $32 million shortfall in 2015 required ODFW to trim operations (see ODFW Financial Condition Review, Report No. 2015-09 for additional details). One of the typical ways the agency has managed budget shortfalls was by holding vacant positions.

A legislative report from 2000 found the agency's efforts to address shortfalls in the 1990's did not include "permanent reductions that would have lowered costs into subsequent biennia, such as the elimination of positions and base program work, tended to be avoided."

Of the dozens of permanent reductions in 2015, many were vacant positions due to retirements or other factors. Additionally, ODFW had administrative restrictions that required all positions to be held vacant four additional months before they could be filled. In these instances, there was limited consideration of what positions were most important to meeting the agency's mission and facilitating long-term goals.

Another cut we heard about was made the year before and involved a retiring senior manager. This individual was responsible for overseeing one-quarter of all field offices. The workload was shifted to existing managers and staff. Employees in the field felt this disrupted their work, as it eliminated vital lines of communication that previously existed between remote field offices and headquarters.

Another vacancy left the Oregon Fish and Wildlife Commission (Commission) asking for more information. In June 2014, the Commission was setting hunting regulations for bobcats. One proposal was to reduce the limit due to concerns of overharvesting. However, the Commission was left with more questions than answers, because the bobcat biologist position was held vacant to save money.

In 2013, ODFW reported approximately 15,000 volunteers contributed more than 223,000 hours (valued at $6.4 million).

Field staff had concerns about how ODFW will be able to leverage partner organizations after a volunteer coordinator position was also recently cut. Volunteers provide much needed assistance and can be used toward matching requirements for federal funding. Some duties of the coordinator were shifted to other staff.

While there are valid reasons to manage the fiscal affairs of the agency by relying on vacancies, making opportunistic cuts time after time can impact the long-term effectiveness of the organization.

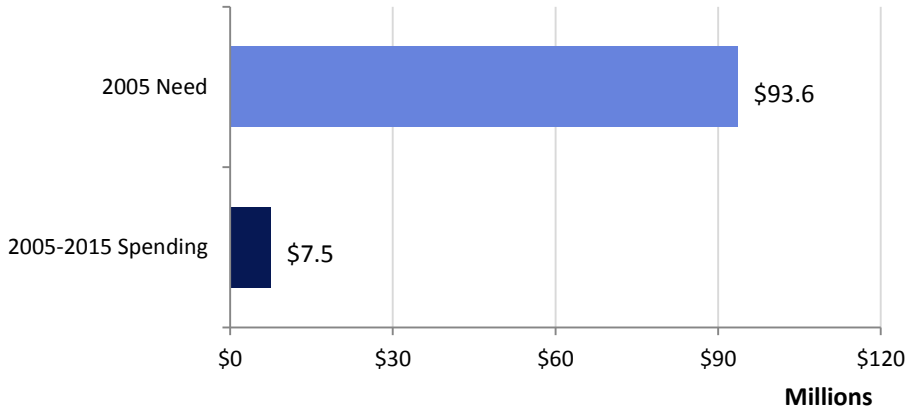
Unaddressed asset planning and maintenance

ODFW does not have a reliable assessment of its maintenance backlog and lacks a plan to address these mounting needs. Without having a full understanding of the backlog and future needs, ODFW cannot proactively manage replacement of key capital assets.

In 1989, ODFW estimated that hatcheries needed approximately $15 million to cover deferred maintenance needs (approximately $29 million in current dollars). Sixteen years later, an assessment of all ODFW facilities, not just hatcheries, found about $94 million in maintenance needs. ODFW has not updated this assessment since 2005.

ODFW records show, on average, less than $1 million in maintenance projects were completed per year, as shown in Figure 10. Even if ODFW had addressed the entire 2005 maintenance backlog, millions of dollars of new needs would likely have surfaced in the past decade.

Figure 10: Maintenance Need Far Outpaces Spending, Through April 2015



Note: Not adjusted for inflation

ODFW has committed relatively few resources over the years toward facility maintenance needs. Maintenance has fallen to the wayside, at times, in order to try to maintain programs.

During the past decade, ODFW has spent only about 1% of its budget on maintenance. As a point of comparison, the Oregon Parks and Recreation Department reports that it spends 12% of its budget on maintenance needs.

Previously, a Fish and Wildlife Deferred Maintenance Subaccount helped generate money to fund maintenance needs at ODFW's non-administrative facilities. Over time, the fund was reduced to roughly $1.5 million by the Legislature. The account was abolished in 2015, because it was not generating enough monetary interest. The Legislature gave the funds back to ODFW. Nothing specific was set aside by the Legislature or ODFW management toward the maintenance backlog.

By delaying facility maintenance, ODFW is operating on a replacement basis. This is more expensive to manage. Any savings anticipated from deferring maintenance is typically lost by the cost of wasted production, the cost of emergency repairs, and earlier replacement.

Figure 11: Rotting fish screen, one of several maintenance issues observed at ODFW hatcheries

One example of added costs is the need to make emergency repairs due to failing infrastructure. Recently, the Bandon Hatchery needed emergency repairs to a nearly 100-year old earthen dam. Another example is deferred maintenance contributing to lost fish production. Overcrowding fish in one holding tank while four others were being replaced contributed to higher fish losses at Rock Creek Hatchery in 2015. Other contributing factors included extreme drought conditions and an accident where a salmon carcass plugged a water line. However, if the fish had been spread among more tanks, it is probable fewer would have died in this incident.

As shown in Figure 11, many more fish at another hatchery were put at risk due to rotting fish screens. If those screens were to fail, thousands of fish would be prematurely released and less likely to survive.

Deferring maintenance can also be a safety risk to employees. We heard examples including an office floor that collapsed, and employees at an office without central heat using space heaters.

Restoration & Enhancement program has failed to address maintenance issues at state-funded hatcheries

Efforts to address growing maintenance needs at state funded hatcheries have been minimal. Deferred maintenance at these hatcheries has been an ongoing issue for at least three decades.

"[I am] afraid we are setting up something that will aggravate the problem rather than help solve it".
Senator Wayne Fawbush commenting on the R&E program proposal

February 28, 1989 Oregon Senate Agriculture and Natural Resources Committee minutes

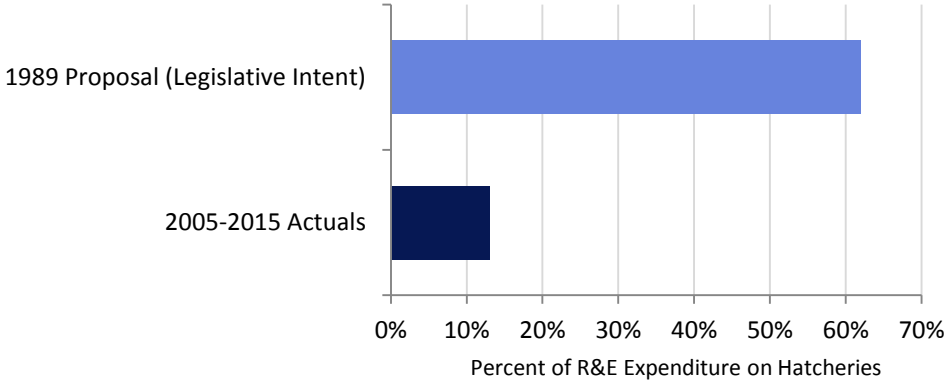
The Oregon Legislature tried to tackle the issue in 1989 by creating the fish Restoration and Enhancement (R&E) program. Legislative records suggest the primary intent of the R&E program was to address a backlog of deferred maintenance at hatcheries. The Legislature established an independent governing board, made up of recreational and commercial fishing representatives, to award R&E funds to specific projects. Initial proposals for the R&E program allocated the majority of funds to hatcheries. Without specifying exact figures, the 1989 law calls for the R&E board to "balance" restoration and enhancement projects.

Legislative testimony highlights mistrust between stakeholders and agency leadership. For example, lack of confidence among users and stakeholders is why the R&E board was established in addition to ODFW and its Commission. This has made it more difficult to manage deferred maintenance issues at fish hatcheries. As a result, hatchery maintenance projects go through multiple layers for approval.

One legislator expressed concern, during hearings in 1989, that the new R&E board could prioritize enhancement projects over hatchery restoration needs. This is exactly what has happened over the past decade.

R&E boards have not prioritized spending toward hatcheries. Only about 10% of R&E funding over the past decade was dedicated to hatchery infrastructure projects and equipment for releasing fish.

Figure 12: R&E Hatchery Expenditures Lower than Legislative Intent



In 2013-15, ODFW began developing strategies to increase awards to priority hatchery needs. These efforts increased hatchery expenditures to more than 30%.

The R&E program was never intended to meet all of the agency's maintenance needs. Based on ODFW estimates in 1989, the R&E program only met two-thirds of hatcheries' maintenance needs.

Figure 13: Property as shown on one of ODFW's historical maps

Missed opportunities due to insufficient real estate management

ODFW has not ensured properties are being adequately and proactively managed, used as intended, or able to conform easily to future needs.

ODFW has a database of properties it owns, leases, and has easement rights to. However, the database holds limited information such as property type, identification number, name, acreage, and county. Hardcopy files and books of historical maps contain additional information, but they are cumbersome to use. An example from one of the historical maps is shown in Figure 13.

Local field offices are responsible for maintenance of properties, except for the large wildlife areas. Staff in those offices said some properties are actively managed by counties, such as boat ramps, while most others have little maintenance work done.

This impacts ODFW's ability to effectively utilize lands for existing users and recruit new users. One example occurred in fall 2015, when a fishing event was canceled due to aquatic weeds taking over the Mt. Hood pond. The purpose of these fishing events, in part, is to recruit the next generation of anglers.

Figure 14: Trash and Blackberries at Wilsonville Pond, July 2015

Another example is the Wilsonville Pond. It had six-foot tall blackberries, restricting access and is frequently littered with trash, as shown in Figure 14. ODFW signage (upper left of image) was not visible from the road. With over 40,000 vehicles passing this property each day on I-5, ODFW is missing out on an opportunity to advertise urban fishing locations. ODFW reported that field staff made a concerted effort to direct resources away from Wilsonville Pond toward other properties such as St. Louis Ponds. In comparison, St. Louis Ponds was clean, well maintained, and offered exceptional wheelchair access to anglers with disabilities.

While not all properties had maintenance issues, several other properties we visited were in similar condition to Wilsonville Pond. Employees noted that ODFW's larger wildlife areas with dedicated staff, like Sauvie Island, are better managed than ODFW's collection of small and disjointed properties.

ODFW has owned one property on the Metolius River since 1947. Approximately 30 years later, when statewide land use planning was implemented, it was zoned residential. At the time, ODFW did not contest the residential zoning. As a result, the property cannot be used for certain activities, such as operating a youth fishing pond. ODFW must go through a

land use process to authorize this activity, which will cost money and valuable staff time. Had the agency actively managed the property, it could have contested the land use determination and suggested to Jefferson County a zone that was consistent with its past use.

We were also told about another property that was lost for decades until a dam needed repairs. Field office staff told us they were notified ODFW was responsible for the dam. A check of archival records confirmed that ODFW was in fact responsible.

ODFW needs a comprehensive management strategy

ODFW has not done long-term, agencywide strategic planning in the past decade. Agency leadership needs a comprehensive management strategy to provide clarity of the agency's vision and expectations, and to guide the agency into the future. A strategy would facilitate being proactive in managing what they do and how they do it, and help the agency effectively respond to new challenges.

Performance management framework

Decision makers need to make tough choices for ODFW to remain effective. Having an established management framework can help ODFW make those decisions. It can also allow ODFW to proactively manage challenges as they arise.

Many organizations have seen significant improvement in management after using a performance management framework. The framework provides a structure for delivering better results with existing resources. The framework involves five key areas: planning, budgeting, managing, evaluating, and reporting, as illustrated in Figure 15.

Figure 15: Performance Management Framework

Performance management starts with planning. Although there are many elements of successful planning, the following three elements shown in

Figure 16 provide significant opportunity for improvement at ODFW. These elements are essential to understanding agency functions and resources, and how ODFW can best achieve its responsibilities going forward.

Figure 16: Select Elements of Successful Planning

ODFW's current efforts tend to be short-term, topic specific, and reactive. To better manage the agency and its responsibilities, a more holistic and long-term approach is needed.

Management plans for cougars, deer, elk, and wolves provide examples of plans that focus on specific topics without a holistic view of how wildlife interact with each other in the ecosystem. Some plans at ODFW are more comprehensive, but they tend to be limited in their use. For example, the state's conservation strategy evaluates many species and habitats in Oregon. However, the strategy itself is used to help obtain federal grant funds and is not a fully developed management strategy.

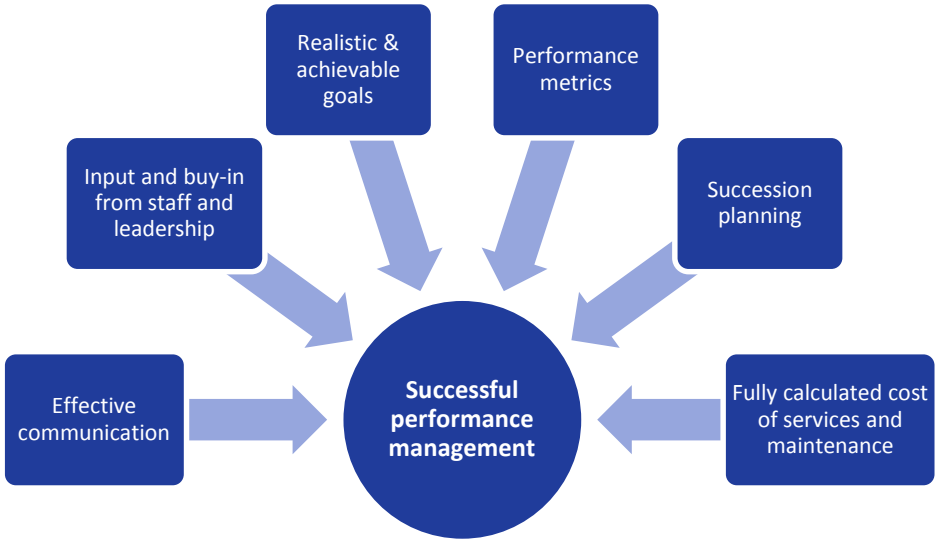
Agency leadership and the Commission have not determined mission critical responsibilities across programs. ODFW has seven co-equal goals and limited resources. Conservation and non-game programs play a central role in the agency's mission. However, these programs are funded far less than other agency programs, because there is very little direct support from users, unlike programs funded by hunters and anglers.

Without identifying and aligning resources to key priorities, the agency will be less effective at achieving its mission over time. Key programs can be left without the resources to function effectively.

Key practices of performance management

To ensure success when establishing a comprehensive management strategy, specific practices should be used, as shown in Figure 17.

Figure 17: Successful Performance Management Practices



Internal communication could be more effective

We heard from staff that they could use more information on the agency's priorities and direction, given ODFW's broad mission. For example, better communication to staff would help explain how decisions are made to balance science with recreational use. It would also help them triage work activities and address public expectations and concerns.

While there is some communication from leadership, field staff said there was little direct interaction to discuss priorities. Some field staff expressed concern that their input was not considered in management decision making, such as the consequences of positions that were cut.

When developing a successful plan, it is important to seek feedback and support from all levels of an organization. If front-line staff are not involved, important business decisions could be made that are not practical. Without support from senior management, agency resources and priorities are not likely to be aligned.

Limited quantifiable, realistic goals for the agency

Some ODFW programs had specific goals, but generally, we found goals were vague or unrealistic. Clear, measurable targets are important for management to determine what efforts are effective.

For example, in the 25-year angling enhancement plan, a primary goal is to "improve fishing participation." However, there is no yardstick to measure the agency's progress on this effort. A better goal would have defined the parameters such as how much and by when. A hypothetical example would be, "increase fishing participation by 10,000 licenses before 2020." Well-defined goals are a more effective management tool than vague goals.

Once goals are established, it is important to develop a performance measurement system to monitor the agency's progress. Performance

metrics can provide valuable insights to management on which programs are meeting their goals and which may need management's attention.

ODFW needs to assess and align workload to resources

The agency does not have a mechanism in place to assess staff workload. While programs have been prioritized for the budget process, ODFW has not delved into the agency's mandates and staff workload to ensure existing resources are directed strategically.

The scope of ODFW's workload is expansive. It includes research and monitoring of species, managing wildlife and habitat, raising fish, providing assistance for habitat restoration, and assessing impacts of land use activities.

Oregon has over 650 wildlife species. Resources are not available to tackle every challenge facing Oregon's wildlife and their habitat.

An understanding of staff workloads lets agency leadership know how much time is being spent on efforts. This information helps to set appropriate staffing levels and ensure consistency of services. Some staff mentioned there has not been proportional staffing or workload adjustments made to meet rising customer needs. For example, Bend's population has grown 300% over the past 25 years. Bend's staffing has not increased during that time. Population is one of many factors that impact workloads.

Aligning workload to resources helps ensure staff time is dedicated to mission critical responsibilities. Many staff mentioned demands on their time were further increased when they had to absorb duties from position vacancies or reductions. Trying to maintain service levels with reduced staff can lead to staff burnout and errors.

We noted isolated examples of management strategies that helped to accomplish more with less. For example, despite having limited resources, the Information Services Division replaced aging server technology ahead of schedule and on budget before it became obsolete and posed a security risk. To do this, they established clear goals and priorities, monitored progress, and aligned resources to mission critical activities.

Another example was a field office that evaluated the workload of a position that was cut. Managers and biologists quantified what duties the position did to see what it could stop doing and what could be done differently. This type of prioritization can be an effective way to manage workload. Management could use this type of analysis to assess workloads and align resources throughout the agency.

ODFW is currently developing a system to measure some workload efforts. Recent legislation requires ODFW to track their time spent on permits issued by other state agencies. Agency leadership is also considering other workload areas to track.

To help gauge resources and workload, leadership could also consider adding such aspects to their annual employee survey. Other state agency employee surveys ask staff about distribution of work, allocation of resources, keeping up with workload, and the level of work-related stress.

Improved succession plans would prepare ODFW for workforce changes

More than 50% of ODFW employees are eligible to retire in some key management positions. These positions require a comprehensive understanding of science, politics, and public law to help navigate wildlife management. Besides forthcoming retirements, there are also unexpected personnel departures. For example, during our audits, three people in senior leadership positions left ODFW for other organizations. Finding and developing employees to replace departures takes time and planning.

ODFW uses vacant positions for job rotations, peer mentoring, and participation in a leadership program. These efforts might not be enough. Succession plans need to be incorporated into a comprehensive management strategy to help retain institutional knowledge and ensure continuity in operations in case of planned or unexpected departures.

Calculate the full cost of service delivery and asset maintenance

Currently, ODFW does not calculate the full cost to deliver services. Best practice recommends that management have an understanding of the full cost of providing its services. This includes both direct costs (e.g., services) and indirect costs (e.g., maintenance of assets).

Establishing a process for calculating the full cost of service delivery provides an organization with necessary information for decision making. This information could be used to help set fees and improve transparency among stakeholders.

Recommendations

To address the gap between available resources and scope of responsibilities, the Oregon Department of Fish and Wildlife should adopt a long-term comprehensive management strategy that includes:

- Instituting a performance management framework that contains, but is not limited to, the following elements:
  - Setting clear, measurable, and realistic goals
  - Developing methods to evaluate efforts
  - Assessing and aligning workloads to available resources and mission critical responsibilities
  - Strengthening succession planning efforts
  - Providing opportunities for improved communication
  - Calculating full cost of service delivery and maintenance
  - Extending financial forecasts beyond six years
  - Maintaining stable reserves
- Ensuring consistency of how information is captured to track workload efforts and developing a plan for how that information will be regularly analyzed and used;
- Re-assessing ODFW's maintenance backlog and developing strategies for asset planning and management;
- Advocating for pooling grant funds to provide greater flexibility when working with federal agencies and other partners;
- Developing requests for alternative revenue sources that would provide greater funding stability as demographics shift and responsibilities change; and
- Working with the Fish and Wildlife Commission and the Legislature to authorize any changes needed to implement these recommendations.

Objectives, Scope and Methodology

The purpose of this audit is to identify management practices that could reduce the gap between resources and responsibilities identified in audit report No. 2015-09, examining ODFW's financial condition.

We interviewed ODFW managers, current and former commissioners, staff, external stakeholders, and federal officials. During the course of the audit, we visited three hatcheries (Salmon River, Alsea, and Marion Forks) and five offices (Salem/Headquarters, Clackamas, Springfield, Bend, and Newport). We also spoke to staff in La Grande, Hines, Roseburg, and Corvallis.

We interviewed staff from state agencies that work closely with ODFW, including the Oregon Watershed Enhancement Board, Oregon Department of Agriculture, Oregon Department of Forestry, Oregon Department of Environmental Quality, Oregon Department of State Lands, and Oregon Parks and Recreation Department. We also spoke to staff at federal agencies including the United States Fish and Wildlife Service, and the National Oceanic and Atmospheric Administration.

We spoke to staff within the following ODFW programs: Fish; Wildlife; Marine Resources; Columbia River; Game; Conservation; Habitat; Information and Education; Administration; Budgeting and Financial Services; Information Services Division; and Human Resources.

We obtained best practices in performance management from the Government Financial Offices Association. We also reviewed strategic plans and further documentation from other state's Fish and Wildlife equivalent agencies.

We obtained information from the agency on license purchases, revenue projections, user participation, game statistics, wildlife reports, property records, and grant reports.

We also reviewed applicable laws, state and agency budget documents and analyses, and published reports related to agency activities. We obtained facility and cougar map data from ODFW.

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

Auditors from our office, who were not involved with the audit, reviewed our report for accuracy, checking facts and conclusions against our supporting evidence.

Appendix A: State Practices[1] to Enhance Funds for Fish and Wildlife Activities

Practice	State Examples	Description
General Sales Tax	Arkansas; Missouri	A sales tax on all taxable goods that is deposited into an account to be used expressly for conservation purposes. Missouri sets the tax at 1/8 of 1% and brings in over $100 million per year from this tax.
Dedicated Sales Tax on Outdoor Gear	Texas; Virginia	A portion of a state-level sales tax on outdoor gear is specifically dedicated to a state conservation fund.
Real Estate Transfer Tax	Florida; South Carolina	A portion of document recording fees on the transfer of real estate is dedicated to state wildlife agencies for land protection.
Dedicated Lottery Funds	Colorado; Maine; Oregon	State lottery games with some of the proceeds used for wildlife conservation. Colorado has established a "Great Outdoors" trust fund using lottery proceeds. Maine operates a wildlife-themed lottery game. Oregon's lottery proceeds for natural resources goes primarily to the Oregon Watershed Enhancement Board and the Oregon Parks and Recreation Department.
License Plates	Georgia; Idaho; New Jersey; Oklahoma; Oregon; Utah; West Virginia; Washington	Specialty license plates where a portion of each purchase or renewal goes towards areas such as nongame wildlife conservation, endangered wildlife, wildlife diversity, game management, and wildlife watching. Proceeds from Maine's sportsman license plate are dedicated to the following areas: hatcheries, landowner relations program, public access to inland waterways and endangered species conservation. According to West Virginia's Division of Natural Resources, its black bear license plates bring in approximately $350,000 annually for Wildlife Diversity.
Statewide Parking Pass	Colorado; Washington	Provides one-stop access to state lands ranging from state parks to state wildlife areas. Proceeds in Washington are distributed to three agencies: state parks, fish and wildlife, and natural resources.
Pooling Federal Funds (Blending and Braiding)	Maine; Texas	Some federal grants are allowed to be pooled into a single performance partnership grant, which offers savings on administrative costs and more flexible way to fund priority needs and programs. Colorado used this to repair water systems impacted by forest fires and extreme drought. Maine and Texas have used this to shift resources from within their water programs to concentrate on the re-issuance of priority water permits and reduce overall permitting backlog.
Revenues from Speeding Fines	Florida	Speeding fines remit up to $10, depending on the extent the speed limit was exceeded, to Florida's Nongame Wildlife Trust Fund.
General Obligation Bonds	Nevada	Nevada implemented a $27.5 million bond program to acquire property to enhance, protect, and manage wildlife and their habitats, and enhance recreational opportunities related to wildlife.

[1] This list does not contain every practice used to fund wildlife activities in other states. The list does not include all states that have adopted these practices.

Oregon
Kate Brown, Governor

Department of Fish and Wildlife
Office of the Director
4034 Fairview Industrial Drive SE
Salem, OR 97302
(503) 947-6044
FAX (503) 947-6042
odfw.com

Gary Blackmer, Director
Oregon Audits Division
255 Capital Street NE, Suite 500
Salem, OR 97310

RE: Oregon's Department of Fish and Wildlife Needs a Comprehensive Management Strategy to Prioritize Workload and Plan for the Future

Dear Mr. Blackmer,

Thank you for the opportunity to respond to the Secretary of State's Performance Audit for the Oregon Department of Fish and Wildlife (ODFW, Department). As you noted, this audit is a follow-up to a financial audit performed on the Department last year. Once again, we appreciate the professionalism and expertise of the audit team and welcome the outside perspective and conclusions to assist us in meeting our mission of protecting and enhancing Oregon's fish and wildlife and their habitats for use and enjoyment by present and future generations.

The importance and timeliness of this review cannot be overemphasized. Increasing pressure on the Department's funding, financial stability, responsibilities and workload are indeed creating a challenging environment for the leadership and staff of ODFW. While many of the factors contributing to the issues we are facing are beyond the Department's control, we can and have been taking steps to mitigate those factors as we strive to achieve our mission.

ODFW generally agrees with the recommendations included in the report. Many of the recommendations are currently being addressed by efforts within the Department, and these efforts will continue. We feel this confirms that we are on the right path in representing the public interest in the management of fish and wildlife in Oregon. The Department is addressing the recommendations in the ways described below.

Recommendation - To address the gap between available resources and scope of responsibilities, the Oregon Department of Fish and Wildlife should adopt a long-term comprehensive management strategy.

The Department has recently invested in funding facilitation and dedicated staff time from senior leadership members to develop a long-range strategic plan. The effort is focused on aligning and prioritizing agency goals and objectives with a shared vision for future stability and program enhancement. The defined period for the strategic period is six years (2016-2021). While not the decadal time period recommended by the Secretary of State audit, the six year planning period is longer than our traditional biennium focused planning and represents our commitment to move towards longer range planning periods. Additionally the six year focus allows the Department to utilize recent Legislative direction to develop alternative funding sources and inventory current work efforts. This strategic planning framework is set up to establish longer range planning during the next phase following 2021.

Many of the recommendations provided by the Secretary of State audit are valuable and will be incorporated in the six year strategic planning effort:

Recommendation - Instituting a performance management framework that contains, but is not limited to, the following elements:

- **Setting clear, measurable, and realistic goals**

  The Department is vested in developing goals that all 1,200 permanent employees and hundreds of seasonal employees can support and utilize to prioritize work. The current effort contains four goals, with measurable metrics in each objective for goal attainment. Ultimately these goals still support the mission and allow the Department to demonstrate wildlife stewardship. However, the goals delineate new efforts to diversify funding, align work with the funding, and communicate our performance.

- **Developing methods to evaluate efforts**

  As mentioned above, each objective will contain clear metrics that are specific, measurable and contain a timeline on which to analyze success of the Department in meeting our shared goals. This is a new component of planning and will assist the Department in reviewing our strategies, better document our outcomes and be able to articulate the success of our work

- **Assessing and aligning workloads to available resources and mission critical responsibilities**

  As mentioned in the report, the Department is being asked to do more with continually retracting resources. One of the most powerful tools of the Department's strategic planning framework will be the ability to clearly identify our most important work and responsibilities and allow us to allocate available resources to completing that work.

- **Strengthening succession planning efforts**

  The Department is committed to investing in our current employees, while recruiting the strongest researchers, biologists and managers to enhance our work force. Career Development tools and resources have been made available to staff. The Department supports employees seeking additional training and education to further their professional development. Traditional training and education venues like wildlife and fisheries conferences have been expanded to include training on leadership, enhanced communication techniques, incorporating stakeholders, policy development, and courses for emerging managers.

  The next five years will bring significant changes to our work force and the Department acknowledges the need to mentor employees and develop a strategy to transition senior staff to maximize the attainment of their valuable institutional knowledge.

- **Providing opportunities for improved communication**

  Employee engagement surveys have indicated a desire to see more communication between field staff and senior leadership staff. The Department has developed a weekly brief that details upcoming and on-going discussions on recent issues, safety concerns, and policy development. The brief is sent out weekly and has been very well received by staff. Other efforts are underway to connect field staff to leadership; Q&A sessions, using social media tools to connect leadership and staff, and annual division/regional meetings.

  Recent appointments to the Director's office have created an opportunity and need for new senior leadership team members to interface with field staff and directly discuss agency direction with them. Upon finalization of the strategic plan the Department intends to directly deliver to staff the vision, goals and objectives during district/regional meetings around the state.

  Senior leadership has made a concerted effort to better interface with program-level staff. These efforts strengthen the relationship between leadership and staff and facilitate improvements in department-wide communication.

- **Calculating full cost of service delivery and maintenance**

  Calculating the total costs for providing services across the department has been historically problematic for ODFW. The type of information required to ascertain the extent of these costs have not been tracked on the program-side of the department to the level required to make these calculations. This has been identified as an area for improvement and efforts are underway to allow the Department to specify the true costs of ODFW's work. As stated earlier, performance metrics will be a key component of the objectives of the strategic planning framework. These, along with other tracking efforts as defined below, will enable the Department to calculate these costs.

- **Extending financial forecasts beyond six years**

  The Department has invested considerable time and effort to improving our budgeting, modeling, and forecasting capabilities over the last couple of years. For the first time, advanced forecasting techniques were utilized during the last fee restructuring effort. As ODFW's tools and processes are refined, our ability to accurately extend our forecasting capability will undoubtedly improve.

- **Maintaining stable reserves**

  The Department agrees with the Secretary of State audit report that maintaining stable reserves is a crucial component of our overall fiscal health. The Department has worked aggressively over the last biennium to downsize the agency, reduce expenditures, and improve program efficiency. These efforts have placed the Department in a better position than expected regarding our Operating Reserves. Preliminarily, it appears that the ending fund balances are better than previously projected. As stated in the report, current estimates place an unrestricted cash balance of $16.3 million (as of September 30, 2015), significantly higher than earlier projections of $7.2 million.

  The Department would like to build on this favorable position and increase the ending balance to contain three months operational costs in the unrestricted cash reserve (about $39 million or $13 million/month) to improve our overall fiscal health and be more closely aligned with the reserves of other state agencies.

Recommendation - Ensuring consistency of how information is captured to track workload efforts and developing a plan for how that information will be regularly analyzed and used;

Recent Legislative action (HB3315) resulted in direction to the Department to inventory hours staff spend assisting other state agencies with their regulatory processes. The Department has developed a tool to track the time staff spends on these actions; but the tool will also be used to record time spent on management, research and conservation actions. The tool will provide an efficient, detailed report of our operations. In turn allowing us to better communicate the stewardship and resources the Department provides to our constituents.

Recommendation - Re-assessing ODFW's maintenance backlog and developing strategies for asset planning and management;

The Department recognizes the need for investing in facilities, buildings and properties that it currently owns. Department of Administrative Services (DAS) is currently inventorying and accessing infrastructure owned by the Department. The assessment is expected to conclude in late 2016, and will update the 2005 inventory previously conducted by the Department. This assessment will be used to prioritize maintenance needs.

As noted in the report, the proportion of R&E funds directed to hatchery maintenance projects has increased over the last several years and the Department will work with the R&E Board to continue this trend and address deferred maintenance at state owned hatcheries.

Recommendation - Advocating for pooling grant funds to provide greater flexibility when working with federal agencies and other partners;

Pooling of federal funds may be an opportunity for the Department to reduce its administrative burden of reporting and compliance that these revenue sources usually dictate, however the loss of cost accounting and award-specific identity would be a fundamental shift for the Department. ODFW will work with its funding agencies to determine if there are some opportunities and benefits in this regard. As for fiscal accountability, the Department's return rate of unused federal revenue is very low, so this would not be considered a benefit in pooling these funds.

Recommendation - Developing requests for alternative revenue sources that would provide greater funding stability as demographics shift and responsibilities change; and

As discussed in the report, the Department will continue our small entrepreneurial efforts including the habitat conservation stamp artwork and expanded parking permit program at our wildlife areas. The Department will also continue its efforts to recruit and retain hunters and anglers in order to sustain funding from current customers. During 2016 we will work with the HB 2402 legislative task force as well as national efforts to identify, develop, and advocate for alternative funding models for fish and wildlife conservation.

Recommendation - Working with the Fish and Wildlife Commission and the Legislature to authorize any changes needed to implement these recommendations.

The Department will work closely to communicate our efforts and seek guidance from the Oregon Fish and Wildlife Commission. The Department has relied on and benefited from Legislative support in the past and will continue to build relationships in the executive and legislative branches of Oregon government.

Thank you again for the recommendations in the report and the opportunity to respond to them. We will incorporate them, as appropriate, as we move forward in addressing the challenges we are facing. It has been a pleasure working with the Secretary of State auditing team.

Sincerely,

Curtis E. Melcher
Director

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Audit Team

William Garber, MPA, CGFM, Deputy Director

Sheronne Blasi, MPA, Audit Manager

Karen Peterson, Principal Auditor

Ian Green, M.Econ, CGAP, Senior Auditor

Wendy Kam, MBA, Staff Auditor

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website: sos.oregon.gov/audits

phone: 503-986-2255

mail: Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

The courtesies and cooperation extended by officials and employees of the Oregon Department of Fish and Wildlife during the course of this audit were commendable and sincerely appreciated.