

Internal Audit of the 2016 Expo Permit Program

Dated August 18, 2016

Background

Under the 2012 – 2016 contract to distribute Expo permits, the Mule Deer Foundation (MDF) distributes the permits in partnership with Sportsmen for Fish & Wildlife (SFW) at the Western Hunting and Conservation Expo. This report covers the 2016 performance specifically, and uses historical data from the outset of the Expo permit program in 2007 through 2016 for some comparative items. The 2016 Expo permits were the last Expo permits distributed under MDF's 5 year contract. Expo permits for 2017 – 2021 will be distributed by Sportsmen for Fish and Wildlife (SFW) in partnership with MDF and Utah Foundation for North American Wild Sheep (FNAWS) under terms of a new contract.

The Western Hunting and Conservation Expo was held in Salt Lake City February 11-14, 2016. In accordance with R657-55, an annual audit of the Expo permit program has been conducted in 2016. This audit was not performed using generally accepted auditing standards, but is an internal audit designed by the Utah Division of Wildlife Resources Administrative Services Section to ensure compliance with applicable rules and contractual obligations.

Overview

The focus of this audit is to assist the Division and the Wildlife Board to ensure contract compliance. Our report focuses on verifying that data is protected and secure, and that the drawing procedure used is random for the permits being issued. Additionally, we reviewed data regarding the number of applicants, success rates, and programming code related to drawing procedures and issuance of permits. We also reviewed revenue amounts retained by the contractor for administrative expenses and use on Division-approved projects. We look to verify retained revenue totals, and that the funds designated for projects are kept separate from other funds in an insured bank account.

As authorized in rule we verify that the designated portion of application fees collected is either spent on, or committed to, Division-approved projects within 2 years of being collected. This review will consider retained project fees from 2014 to ensure they were spent or committed to Division-approved projects within the time allotted by Administrative Rule (September 1, 2016 specifically).

Findings

The Division monitored the processes of data collection and input, securing of personal and confidential data received, and performance of the actual draw process. Security of data is of utmost importance to the Division, as state government hack attempts have grown from 2 million attempts per day 10 years ago, to 110 million attempts per day currently. There were no findings with the data handling in 2016. We also reviewed the programming code used to perform the draw to ensure the integrity of the process; there were no findings with the code in 2016.

Additionally, the Division has performed eligibility checks of successful applicants and alternates that may have been assigned a permit. No eligibility issues were identified in 2016.

This audit verified application revenue retained by the contractor, as well as permit revenue payable to the Division from each successful applicant prior to issuance of the permit. There were no compliance issues in 2016.

This audit includes an in-depth report of project revenue and expenditures of funds collected beginning in 2013, explaining findings regarding total revenue collected specifically for projects, as well as reporting the total amount of money spent and committed to Division-approved projects as mandated by rule. Project revenue from 2013 and 2014 was reviewed, project invoices paid with Expo dollars were tallied and project coversheets signed by the Division Director were compiled to obtain the total of application revenue spent on Division-approved projects and the total dollars committed to Division-approved projects. Both MDF and SFW had expended or committed all required 2013 and 2014 revenue and are in compliance with rule and agreements with the Division. Project revenue must be expended or committed to Division-approved projects by September 1, two years following the year it was collected.

Review of handling personal and sensitive data

The Division considers the handling of personal data and information a top priority. Because the contractor conducting the draw is allowed limited access to DWR data for populating the hunt applications, we require adherence to protocols that will safeguard this data.

The contractor has two process components regarding sensitive and confidential data from the applicants. For these purposes sensitive and confidential data is defined as social security number, driver's license information, height, weight, gender, and hair/eye color.

First is the handling of sensitive information given by applicants at the Expo to apply in the drawing manually. This is done on a paper form completed by the applicant. Once completed and submitted, these forms are cross-shredded on site. No paper applications are retained by the contractor.

Second is the handling of electronic data that is used in the electronic application process. Sensitive data is used by the application for customer lookups into the Division database. This data transmission is through a secure socket layer using 128 bit encryption. Once the customer information is retrieved no sensitive information is stored in the contractor database.

No compliance issues were identified by the Division in 2016.

Review of the drawing process

Division of Wildlife/Department of Technology Services personnel go through an extensive review of the draw processes used by GraySky Technologies, the subcontractor selected by MDF to conduct the Expo permit drawing. The Division is represented by technical experts from the Utah Department of Technology Services, who reviewed the following:

- 1) The process of the draw is reviewed for its soundness.
- 2) The database structure is reviewed to make sure that a customer can't flood a certain hunt by making multiple entries for that hunt.

- 3) A review of the code is conducted to make sure that there is no chance that a seeded record could exist in the database prior to the assignment of random numbers. This is done to ensure that the result table is empty and no records can be inserted independently of the drawing code. This ensures that a record with an abnormally low random number isn't placed in the table thereby guaranteeing a permit to that record.
- 4) The code is reviewed to ensure that all records are treated equally in the process that assigns random numbers to the entries. Care is given to make sure that when the random numbers are being assigned, no records are identified to get a number other than a random number which is generated by the system.
- 5) The code is then reviewed for inserts that may occur after the drawing to make sure that a secured opportunity record is not placed in the result table after the assignment of random numbers takes place.

This was an exhaustive and thorough review; no compliance issues were identified by the Division in 2016.

Conducting the Draw

The actual drawing was conducted at the Division Office in Salt Lake City on February 16, 2016. Attendees included Division staff, representatives from the Mule Deer Foundation, Sportsmen for Fish and Wildlife, and the general public. The public is welcome to attend the drawing and at least 3 individuals unrelated to the Division or contractors were in attendance. The draw is then conducted by GraySky Technologies whereupon the following occurred:

- 1) An impromptu passphrase was given to the GraySky representative and was witnessed written into the code prior to beginning the draw process. Later this same passphrase was verified by all in attendance to display on the result page to ensure the code reviewed by the Division was the actual code used during the draw.
- 2) The draw was then run assigning random numbers to applicants hunt choice entries and then sorted in descending order.
- 3) The results of the draw were printed and immediately given to a Division representative to ensure that there were no edits to the results table.
- 4) This list was then given to the Division Law Enforcement and Licensing sections to validate eligibility before any results were posted.
- 5) Any applicants selected through the draw that receive multiple permits for the same species are contacted by the Division and asked to select their preferred hunt choice. The unclaimed permits are issued to alternates.

The passphrase was witnessed being added to the code, and the same passphrase verified at the conclusion of the draw. Results were instantly printed and the process to validate began immediately.

No compliance issues were identified by the Division.

Note about Random Drawings

In any truly random drawing there always seems to be a few “lucky” individuals. Statistically when randomness is discussed it is always possible to view the final result and pick out certain trends. The key to these trends is that they cannot be predicted prior to the event or drawing. This is the very essence of randomness. Random is not an assurance that an event will be spread evenly across a population, or distributed equally among participants. There were no abnormalities observed in the 2016 drawing.

Draw Related Information

The Division reviewed data from the Expo regarding application numbers and success rates of the Expo. Applicant numbers verified that at least 10,000 individuals attended the Expo again in 2016 as required by rule. The reported number of attendees at the 2016 Expo was 40,927, including more than 10,000 being formally registered for activities.

Applicant data for years 2007-2016 is as follows:

Year	Applicants	Applications	Resident	Nonresident	Gross Revenue@\$5 per app
2007	10,527	205,462	163,054	42,408	\$ 1,027,310
2008	8,745	138,988	116,465	22,523	\$ 694,940
2009	9,927	169,988	139,748	29,375	\$ 845,970
2010	9,700	165,866	139,920	25,946	\$ 847,285
2011	12,154	196,360	170,539	25,821	\$ 981,800
2012	13,388	207,870	179,077	28,793	\$ 1,039,350
2013	14,043	197,312	173,192	24,120	\$ 986,560
2014	14,148	206,506	178,250	28,256	\$ 1,032,530
2015	14,910	228,530	192,420	36,110	\$ 1,142,650
2016	15,507	233,210	195,973	37,237	\$ 1,166,050

Resident versus Nonresident Success

Data was reviewed comparing the number of resident applicants versus the nonresident applicants. Very similar to last year, in the 2016 application period: 84% of the applications for the 200 permit series were residents with 16% nonresidents. 173 permits drawn were awarded to residents, which is 86.5% of the total permits available, and 27 to nonresidents, or 13.5% of the total permits available.

There were no anomalies in this data in 2016.

License Sales

The Division requires that anyone applying for a permit at the Expo have a valid hunting or combination license at the time of application. To ensure this compliance the programming will not allow applicants to apply without a valid license in the system. For the Expo in 2016 there were 746 combination and hunting licenses sold on site. The resulting license revenue generated was \$33,993.00. The entirety of these funds are owed to the Division with the same reporting stipulations as other third party license vendors; the invoice was paid in full on time.

There were no compliance issues with license sales, reporting, or payment.

Application Revenue

In 2016 the Expo accepted applications beginning in October continuing through the end of the Expo held February 11–14; the draw processed 233,210 applications, generating \$1,166,050 in gross application revenue. The retained portion allowable for administrative expenses was \$3.50 per application, or \$816,235.00; this revenue was split 50/50 between the MDF and SFW, with each receiving \$408,117.50.

There were no compliance issues with application revenue.

Project Revenue

The amount of project revenue dedicated to Division-approved projects has changed from year to year; for 2016 it was \$1.50 per application. The \$1.50 per application dedicated to Division-approved projects totaled \$349,815.00. This revenue was split 50/50 between The Mule Deer Foundation and Sportsmen for Fish and wildlife, each receiving \$174,907.50. This balance was verified in a federally insured bank account and held separate from other funds for both MDF and SFW. These funds will need to be spent on, or committed to, Division-approved projects by Sept 1, 2018.

To verify MDF and SFW met their obligations as of Sept 1, 2016, we reviewed project revenue balances from 2013 and 2014. Project invoices paid with Expo dollars were tallied and project coversheets signed by the Division Director (indicating an official commitment) were compiled to obtain the total of project revenue spent on Division-approved projects; as well as the total dollars committed to Division-approved projects.

MDF and SFW were each required to spend or commit \$390,946.75 by September 1, 2016. Each organization easily met this obligation.

Revenue Required to be Committed or Expended by September 1, 2016

Org.	Project Revenue 2013	Project Revenue 2014	Project Revenue 2015	Project Revenue 2016	Total Project Revenue	Obligation Due Sept 1, 2016	Total Currently Committed or Spent
MDF	\$185,473.28	\$205,473.47	\$194,250.50	\$174,907.50	\$760,104.75	\$390,946.75	\$803,782.58
SFW	\$185,473.28	\$205,473.47	\$194,250.50	\$174,907.50	\$760,104.75	\$390,946.75	\$668,827.34
Total	\$370,946.56	\$410,946.94	\$388,501.00	\$349,815.00	\$1,520,209.50	\$781,893.50	\$1,472,609.92

There were no compliance issues with project revenue.

More detail can be found in attachment 2. (project list)

Draw Probability Statistics

The Expo offers a limited number of permits annually and attracts exponentially more applicants who compete for them through a secure and random draw process. It should be noted that this dynamic implies a statistically low probability of obtaining a permit. While the draw odds are not a controllable variable or concern of the Division, we want to acknowledge the expediency with which this information is made available to the public. The Expo contractor publishes these statistics annually on their website prior to the next year application period.

Conclusions

We want to acknowledge that with data being under constant threat, the need to create processes and systems that are up to the challenge of securing information has never been higher. This review was directed at processes involved in the careful handling of applications and data. We believe that with the procedures set in place by MDF, SFW, and GraySky, that the data was properly secured at the Expo, and the drawing was conducted in a random, transparent, and consistent manner.

Project revenue from 2016 was verified and accounted for in the prescribed manner, and kept separate from other account funds in federally insured bank accounts. Project revenue collected in 2013 and 2014 for Division-approved projects was committed and expended prior to the September 1 deadline.

We would like to thank the Mule Deer Foundation and Sportsmen for Fish and Wildlife for their time, prompt response and their willingness to provide the information requested for the preparation of the audit. Their information was clearly presented and very much appreciated. If there are questions regarding this report, please contact me at 801-550-8349.

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ATCH:

1. Current Expo Rule R647-55
2. Project List
3. Draw Process Roll Sheet