



**Office of Inspector General  
U.S. Department of the Interior**

**AUDIT REPORT**

**COSTS INCURRED BY THE  
STATE OF NEBRASKA  
GAME AND PARKS COMMISSION,  
UNDER FEDERAL ASSISTANCE  
GRANTS FROM THE  
U.S. FISH AND WILDLIFE  
SERVICE FROM JULY 1, 2000,  
THROUGH JUNE 30, 2002**

**Report No. R-GR-FWS-0024-2003  
JANUARY 2004**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
External Audits Division  
12030 Sunrise Valley Drive, Suite 230  
Reston, VA 20191

January 9, 2004

## AUDIT REPORT

Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Joe Ansnick   
Director of External Audits

Subject: Final Audit Report on Costs Incurred by the State of Nebraska Game and Parks Commission, under Federal Assistance Grants from the U.S. Fish and Wildlife Service from July 1, 2000, through June 30, 2002 (No. R-GR-FWS-0024-2003)

### Introduction

This report presents the results of our audit of costs incurred by the State of Nebraska Game and Parks Commission (Commission) under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS) for the period July 1, 2000, through June 30, 2002.

### Background and Scope

The Pittman-Robertson Wildlife Restoration Act, as amended (16 U.S.C. 669), and the Dingell-Johnson Sport Fish Restoration Act, as amended (16 U.S.C. 777) (Acts), authorize FWS to provide Federal Assistance grants to states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. The Acts specify that state hunting and fishing license revenues cannot be used for any purpose other than the administration of the state's fish and game agencies.

We performed an audit of Federal Assistance grants to the State of Nebraska at the request of FWS. The objective of our audit was to evaluate: (1) the adequacy of the Commission's accounting system and related internal controls; (2) the accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS; (3) the adequacy and reliability of the Commission's hunting and fishing license fee collection and disbursement process; (4) the adequacy of the Commission's asset management system and related internal controls with regard to purchasing, maintenance, control, and disposal; and (5) the adequacy of the Commission's compliance with the Acts' assent legislation requirements. The audit was also to include a review of other issues considered sensitive and/or significant by

the FWS. The audit included claims totaling approximately \$16.2 million on FWS grants that were open during the State's fiscal years ended June 30, 2001, and 2002 (see Appendix 1).

Our audit was performed in accordance with the government auditing standards issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that we considered necessary under the circumstances. Our tests included an examination of evidence supporting selected expenditures charged by the Commission to the grants and interviews with employees to ensure that all personnel costs charged to the grants were allowable. We reviewed the audit work performed by other auditors, including the working papers and summaries for the Commission's (1) certification of hunting and fishing license holders for fiscal years 2001 and 2002, and (2) use of fishing and hunting license revenues for fiscal years 2001 and 2002 to determine whether the revenues had been used for program purposes. No exceptions were reported. We did not evaluate the economy, efficiency, and effectiveness of the Commission's operations.

Our audit was performed at the Nebraska Game and Parks Commission headquarters in Lincoln, Nebraska. We also visited a hatchery and several wildlife management areas (see Appendix 2).

## **Prior Audit Coverage**

On August 4, 1999, we issued audit report No. 99-E-726, "Audit of U.S. Fish and Wildlife Service Federal Aid Grants to the State of Nebraska Game and Parks Commission for the Fiscal Years Ended June 30, 1996, and 1997." We reviewed this report and followed up on all findings to determine whether they had been resolved prior to our review. We included one area in this report that had been addressed previously, program income from crops. No other reports on the Commission's Federal Aid program or license fee collections and disbursements were issued during the last five years.

## **Results of Audit**

Our review disclosed that, except for the conditions reported below, the Commission's accounting system and related internal controls adequately and accurately accounted for grant and license fee receipts and disbursements; direct and indirect costs were adequately recorded and supported; the asset management system accurately identified and tracked personal and real property with regard to acquisition, maintenance, control, and disposal; and the State had adequate assent legislation in place

- Costs of \$11,138 were questioned because supporting documentation was not provided for hours worked for volunteer in-kind contributions (\$9,526), and for an expenditure of \$1,612.
- The Commission did not report program income of \$346,872.
- The Commission did not account for and report as program income the value of work provided by lessees in lieu of rental payments.

The Commission and the FWS responded to a draft of this report on September 30, 2003. Based on the Commission and the FWS responses, we deleted two findings. Based on the Commission's further responses, we modified the other findings and recommendations as necessary to clarify the issues and to incorporate any additional information provided. We have included the Commission's responses after our recommendations to resolve each finding.

## **A. Questioned Costs**

**1. In-Kind Contributions.** The Commission claimed in-kind contributions under an Aquatic Education Program grant (F-82-E-13) for accumulating volunteer hours without documentation to support the hours claimed. The amount of unsupported costs is \$9,526. The program coordinator stated that two volunteer instructors claimed to work about one hour each day throughout the year to develop and coordinate a one-day event that included fishing clinics for children and adults and other events for handicapped and veterans groups. The only documentation to indicate the hours worked was the Aquatic Education Program Instructor's Activity Report for the day of the event showing 300 hours for the head instructor and 300 hours for the volunteer instructor.

Matching or cost sharing requirements, as described in 43 CFR § 12.64 (a)(2), may be satisfied by the value of third party in-kind contributions applicable to the grant period. 43 CFR § 12.64(b)(6) requires that third party in-kind contributions used as a cost sharing or matching requirement must be verifiable from the grantee's records. In addition, to the extent feasible, volunteer services should be supported by the same methods used to support regular personnel costs.

The unsupported amount of \$9,526 consists of the grant agreement hourly rate of \$15.877 applied to the 600 hours claimed.

### **Recommendation**

We recommend that the FWS:

- a. Resolve the \$9,526 of unsupported costs associated with Grant F-82-E-13.
- b. Ensure that the Commission verifies the accuracy of volunteer instructor hours claimed for in-kind contributions, and maintains adequate supporting records for those contributions.

### **Commission Response**

The Commission responded that it would continue to verify and use volunteer hours only within the grant period as match. In addition, the Commission stated that one instructor logged 300 hours under Grant F-82-E-13 and another 300 hours under Grant F-82-E-14 for preparation and travel hours for an event held at the end of June each year. The Commission stated that while there was not adequate documentation for all of the hours under Grant F-82-E-13, there were instructor logs to account for the hours charged under Grant F-82-E-14. The Commission

added that there was unused match of \$20,923 for both Grants and no excess Federal funds were reimbursed.

### **Office of Inspector General Comments**

The finding pertained to two instructors (the head instructor and a volunteer instructor) who claimed to work 300 hours each on the day of the event, June 24, 2000, as identified on the Instructor's Activity Report. The 600 hours were charged to Grant F-82-E-13. None of the hours in question here were charged to Grant F-82-E-14. Only one time and attendance report for June 24, 2000, was used to support the 300 hours claimed for each instructor. Accordingly, FWS should resolve the finding and implement the recommendations.

**2. Expenditure Testing.** Our testing of 99 disbursement transactions and journal entries, totaling \$2.9 million, identified four documents totaling \$70,952 (Federal share \$53,214) for which the State of Nebraska Department of Administrative Services (Department) was initially unable to provide supporting documentation. Subsequently, the Department provided supporting documentation for three of the transactions totaling \$69,340. The remaining transaction for \$1,612 (Federal share \$1,209) is for a disbursement under Grant F-86-D-13 and continues to be classified as an unsupported cost.

### **Recommendation**

We recommend the FWS resolve the unsupported costs of \$1,612 (Federal share \$1,209) claimed under Grant F-86-D-13.

### **Commission Response**

The Commission stated that the \$1,612 remains unsupported.

### **Office of Inspector General Comments**

The Commission concurs with the finding. Accordingly, FWS should resolve the finding and implement the recommendation.

## **B. Additional Findings**

**1. Program Income.** During the audit period, the Commission did not report \$346,872 of program income from crops raised on Wildlife Management Areas (WMAs) operated and maintained through Federal Assistance Grants FW-21-D-2, FW-21-D-3, and FW-21-D-4. Overall, crop program income from these three WMAs during the audit period was \$490,141 (\$234,891 in State fiscal year 2001 and \$255,250 in State fiscal year 2002), but the Commission reported crop program income of only \$143,269 for the two-year period.

Program income is defined in 43 CFR § 12.65 (b) as gross income received by a grantee directly generated by a grant-supported activity during the grant period. Program income includes income from the sale of commodities [43 CFR § 12.65 (a)], and crops are considered commodities. Income from the sale of crops, or the value of crops raised on WMAs, if provided

to the Commission in kind instead of in cash, is considered program income. Program income should be reported in grant proposals and on each grant's Financial Status Reports (SF-269s); and, unless otherwise specified, program income should be deducted from total outlays reported on the SF-269s.

A Wildlife Division employee provided us with a document titled "Federal income and expenses on WMA's." According to this document, expenses and income associated with crops that will be harvested and sold should be coded as "State" instead of "Federal." We concluded that the policy and practice of at least one employee was to exclude crop income from program income on the WMA operation and maintenance grants. In addition, it appears that it was also a practice of at least one employee to exclude the costs associated with crop lease activities from Federal Assistance grant reimbursement claims.

As a result, the Commission did not report \$346,872 of program income derived from crop agreements on three grants (Grants FW-21-D-2, FW-21-D-3, and FW-21-D-4). We did not identify the dollar amount associated with each grant.

## **Recommendations**

We recommend that the FWS:

- a. Resolve the \$346,872 of unreported program income.
- b. Instruct the Commission to develop policies and implement practices to identify and report all program income and expenses on grants for the operation and maintenance of wildlife management areas.

## **Commission Response**

The Commission adopted a policy excluding crop income and expenses from the operation and maintenance of Grants W-21-D-3 and W-21-D-4, and received approval of this policy from the FWS Region 6 office. As a result, income from the sale of the commodities was not credited to Federal Assistance.

## **Office of Inspector General Comments**

The project description for the Grants states that some income-producing activities are expected to occur as a byproduct associated with achieving project objectives. It also stated that the activities would include the sale of commodities such as small grains. We believe that the Commission should disclose the types of activities expected to occur on WMA's and report the revenue generated from those activities as program income. We recommend that FWS resolve the finding and implement the recommendations.

**2. Conservation Lease Accounting.** The Commission awarded crop and pasture leases that contained both rental and work terms. The rental terms represented what the lessee paid for the right “to crop, hay, or graze” on Commission lands. The work terms represented tasks (e.g., establish food plots, mowing, plant native grass, maintain an irrigation ditch) that the lessee performed for the benefit of Commission lands. The lessee received credit for the value of the work applied against the rental owed. We found that the Commission was not adequately disclosing anticipated rental income and work terms from leases in its grant applications and not reporting the value of the work completed on its SF-269s as program income.

The Commission practice was to make accounting entries for the amount collected, generally rental income less work credits. However, we identified \$346,872 of unreported program income in finding B.1 above which may be understated because of netting the value of work completed against the amount of lease rental owed.

Program income is defined in 43 CFR § 12.65 (b) as gross income received by a grantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. We are unable to determine the total cost to operate and maintain WMAs because accounting entries were not made for all expenses. Total cost information is needed to adequately plan, budget and evaluate programs and projects.

### **Recommendation**

We recommend that FWS require the Commission to adopt procedures to report total gross income generated by program activity and any reductions to income on its grant proposals and its Financial Status Reports.

### **Commission Response**

The Commission stated that the current practice is to include the value of rental and work items agreed to in the lease and will determine a way to track lease and work item values in the grant records. Leases will identify the value of the lease, work items performed, and supporting information used to establish the value of the work items. As exchanges are completed, the Division of Federal Aid will be provided documentation identifying that the exchange agreed to in the lease has been satisfied (or partially satisfied) and the monetary value of the lease is reported.

### **Office of Inspector General Comments**

The Commission agreed with the recommendation and we consider the action appropriate. FWS should sustain the finding and implement the recommendation.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written response by April 12, 2004, to the recommendations included in this report. Your response should include information on actions taken or planned, including target dates and titles of officials responsible for implementation. If you have any questions regarding this report, please contact me or Mr. Lawrence Kopas, Audit Team Leader, at (703) 487-5345.

cc: Regional Director, Region 6  
U.S. Fish and Wildlife Service

**NEBRASKA GAME AND PARKS COMMISSION  
FINANCIAL SUMMARY OF REVIEW COVERAGE**

Grant Number	Grant Amount	Costs Claimed	Questioned Costs		Federal Share	Notes
			Exceptions	Unsupported		
F-6-B-1	\$50,000	\$25,429				
F-6-B-2	50,000	18,673				
F-75-R-18	245,000	179,610				
F-75-R-19	190,300	190,282				
F-75-R-20	159,260	64,067				
F-77-R-15	20,000	20,000				
F-82-E-13	528,200	168,785		\$9,526		1
F-82-E-14	664,428	184,913				
F-82-E-15	585,916	9,849				
F-84-D-12	490,650	268,181				
F-84-D-13	501,750	256,801				
F-84-D-14	483,460	100,416				
F-86-D-13	835,208	500,164		\$1,612	\$1,209	2
F-86-D-14	821,892	821,892				
F-86-D-15	1,143,876	271,715				
F-87-R-12	458,000	371,634				
F-87-R-13	462,000	460,093				
F-87-R-14	476,000	49,251				
F-112-R-6	184,208	126,038				
F-112-R-7	120,200	67,593				
F-114-B-2	61,100	52,346				
F-115-B-2	250,000	114,796				
F-118-R-3	114,572	83,506				
F-118-R-4	108,643	79,777				
F-118-R-5	52,671	1,589				
F-123-B-3	74,526	2,045				
F-126-R-4	100,740	15,509				
F-126-R-5	74,740	27,496				
F-129-DB-1	467,000	61,548				
F-129-DB-2	1,377,500	292,010				
F-130-D-1	1,751,792	906,045				
F-131-D-1	830,000	198,971				
F-132-B-1	62,000	7,725				

Grant Number	Grant Amount	Costs Claimed	Questioned Costs		Federal Share	Notes
			Exceptions	Unsupported		
F-133-R-2	142,635	90,608				
F-133-R-3	139,925	88,135				
F-137-B-1	207,855	151,040				
F-138-B-1	246,850	224,833				
F-139-DB-1	75,000	480				
F-139-DB-2	800,000	1,239				
F-140-B-1	213,660	171,844				
F-141-R-1	194,400	135,000				
F-141-R-2	194,400	135,000				
F-142-B-1	94,300	75,662				
F-143-B-1	255,830	209,711				
F-144-B-1	120,000	90,173				
F-148-B-1	213,000	5,386				
F-149-O-1	72,288	72,288				
F-155-R-1	65,347	2,574				
FW-6-C-60	200,000	168,762				
FW-6-C-61	185,000	152,863				
FW-12-T-27	105,000	87,711				
FW-12-T-28	110,000	79,693				
FW-15-L-52	1,310,000	871,820				
FW-16-D-23	177,000	1,048				
FW-16-L-24	182,000	182,000				
FW-16-L-25	189,500	184,850				
FW-19-T-15	101,951	41,565				
FW-19-T-16	114,274	41,697				
FW-21-D-2	2,942,290	919,209				
FW-21-D-3	2,575,071	1,948,822				
FW-21-D-4	1,997,033	928,735				
W-15-R-57	820,000	747,487				
W-15-R-58	535,050	535,050				
W-15-R-59	615,425	169,092				
W-40-E-27	382,664	189,531				
W-40-E-28	389,063	350,898				
W-40-E-29	493,370	106,671				
W-41-T-26	618,000	223,665				
W-41-T-27	340,000	340,000				
W-78-L-30	283,500	283,336				

Grant Number	Grant Amount	Costs Claimed	Questioned Costs		Federal Share	Notes
			Exceptions	Unsupported		
W-78-L-32	168,000	162,567				
V-2-1	56,000	15,973				
	<u>\$31,721,313</u>	<u>\$16,185,767</u>		<u>\$11,138</u>	<u>\$1,209</u>	

**Notes:**

1. Questioned costs that pertain to the Aquatic Education Program's in-kind hours that were unsupported (see Questioned Costs, 1. In-Kind Contributions)

2. We classified this amount as unsupported because documentation was not provided for the transaction (see Questioned Costs, 2. Expenditure Testing).

**NEBRASKA GAME AND PARKS COMMISSION  
SCHEDULE OF SITES VISITED**

Headquarters, Lincoln, Nebraska  
District I Office, Alliance, Nebraska  
Ponderosa Wildlife Management Area  
Peterson Wildlife Management Area  
Fort Robinson State Park  
Gilbert-Baker Wildlife Management Area  
District IV Office, North Platte, Nebraska  
Cedar Valley Wildlife Management Area  
North River Wildlife Management Area  
Medicine Creek Wildlife Management Area  
Medicine Creek Reservoir State Recreation Area  
Red Willow State Recreation Area  
Red Willow Wildlife Management Area  
District V Office, Lincoln, Nebraska  
Wagon Train Wildlife Management Area  
Wagon Train State Recreation Area  
Branched Oak Wildlife Management Area  
Branched Oak State Recreation Area  
Branched Oak Wildlife Shop  
Calamus Hatchery, Burwell, Nebraska  
AK-SAR-BEN Aquarium, Gretna, Nebraska

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