



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**U.S. FISH AND WILDLIFE SERVICE WILDLIFE AND  
SPORT FISH RESTORATION PROGRAM GRANTS**

Awarded to the State of Nebraska, Game and Parks Commission,  
From July 1, 2009, Through June 30, 2011



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

November 30, 2012

**AUDIT REPORT**

Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Suzanna I. Park *Suzanna I. Park*  
Director of External Audits

Subject: Audit – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration  
Program Grants Awarded to the State of Nebraska, Game and Parks Commission,  
From July 1, 2009, Through June 30, 2011  
Report No. R-GR-FWS-0010-2012

This report presents the results of our audit of costs claimed by the State of Nebraska (State), Game and Parks Commission (Commission), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling \$44 million on 93 grants that were open during State fiscal years that ended June 30, 2010, and June 30, 2011 (see appendix 1). The audit also covered the Commission's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Commission complied, in general, with applicable grant accounting and regulatory requirements. We identified a potential diversion of license revenues totaling \$21,662 and unreported program income totaling \$14,886. We also found that the Commission had not reconciled its land records with FWS.

We provided a draft report to FWS for a response. We summarized Commission and FWS Region 6 responses to the recommendations, as well as our comments on the responses after the recommendations. We list the status of the recommendations in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by February 28, 2013. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation. Please address your response to:

Director of External Audits  
U.S. Department of the Interior  
Office of Inspector General  
12030 Sunrise Valley Drive, Suite 230  
Reston, VA 20191

If you have any questions regarding this report, please contact the audit team leader, Debra Darby, or me at 703-487-5345.

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

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# Introduction

## Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)<sup>1</sup> established the Wildlife and Sport Fish Restoration Program (Program). Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the State's fish and game agency. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

## Objectives

We conducted this audit to determine if the State of Nebraska (State), Game and Parks Commission (Commission)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements;
- used State hunting and fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with Federal regulations.

## Scope

Audit work included claims totaling approximately \$44 million on the 93 grants open during State fiscal years (SFYs) that ended June 30, 2010, and June 30, 2011 (see appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Lincoln, NE, and visited one regional office, six wildlife management areas, and two boat access sites (see appendix 2). We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

## Methodology

We conducted our performance audit in accordance with the “Government Auditing Standards” issued by the Comptroller General of the United States. 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 objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> 16 U.S.C. §§ 669 and 777, as amended, respectively.

Our tests and procedures included—

- examining the evidence that supports selected expenditures charged to the grants by the Commission;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Commission employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Commission used hunting and fishing license revenues solely for the administration of fish and wildlife program activities; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor and license fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Commission's operations.

## **Prior Audit Coverage**

On September 19, 2007, we issued “Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the Nebraska Game and Parks Commission, From July 1, 2004, through June 30, 2006 (No. R-GR-FWS-0003-2007).” We followed up on all recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget considered the recommendations resolved and implemented.

We reviewed the single audit reports and comprehensive annual financial reports for SFYs 2010 and 2011. Our review of the single audit reports found that the Commission's Program grants were considered major programs. The reports did not contain any findings that would directly impact the Program grants.

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# Results of Audit

## Audit Summary

We found that the Commission complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, several conditions that resulted in the findings listed below.

**Potential Diversion of License Revenue.** The Commission potentially diverted \$21,662 of its hunting and fishing license revenues by using improper allocation methodologies.

**Unreported Program Income.** The Commission did not report \$14,886 of program income from admission fees and fish food sold at an aquarium funded by the Program.

**Unreconciled Real Property Records.** The Commission did not reconcile its grant-funded real property records with those of FWS and could not provide an accurate database of lands purchased with license revenues.

## Findings and Recommendations

### A. Potential Diversion of License Revenue

The Commission's Budget and Fiscal Division prepares annual guidelines assigning percentages for allocating costs that benefit multiple activities to three of the Commission's funds—game, parks, and general funds. We found, however, that the Commission's guidelines may have improperly allocated expenditures to the three funds using outdated costs (2004 – 2005 expenditures), unsupported computations, and incorrect methodologies.

The Commission collects license fees from hunting and fishing licenses and deposits them in the game fund. The game fund is only to be used for administration of fish and wildlife activities.

The Code of Federal Regulations (50 CFR § 80.4(a)) requires that revenues from license fees paid by hunters and anglers be used only for the administration of the State fish and wildlife agency. A diversion of license fee revenue occurs when any portion of the license revenue is used for any purpose other than the administration of the fish and wildlife agency.

Federal regulations (2 CFR § 225, appendices A, D, and E) provide guidelines for determining allowable costs, cost allocation plans, and indirect cost rate proposals that can be used for equitably allocating costs.

Responding to audit concerns regarding use of outdated costs, unsupported computations, and incorrect methodologies to calculate allocation percentages, Commission officials updated the cost data and revised the methodologies. The Commission believes that the revised data supports the historical percentages that were used in the guidelines and that charges to the game fund were reasonable and properly allocated. We did not test whether the revised data and methodologies were adequately supported.

We therefore classified \$21,662 as a potential diversion representing allocations that the Commission made to the game fund, which did not address our concerns. The allocations consisted of \$11,662 (80 percent) for media software and \$10,000 (40 percent) for attorney fees.

### **Recommendations**

We recommend that FWS work with the Commission to:

1. Resolve the potential diversion of license revenue totaling \$21,662; and
2. Ensure that costs are equitably allocated by using either (a) an approved costs allocation plan or (b) an indirect cost rate or by (c) updating the Budget and Fiscal Division's annual guidelines using criteria from 2 CFR § 225, appendices D and E.

### **Commission Response**

Commission officials did not concur with the finding and recommendations. The Commission believes their allocation methodology is reasonable but will improve documentation to provide an audit trail that will support their computations.

### **FWS Response**

FWS will consider the State's comments in preparing a corrective action plan.

### **OIG Comments**

Based on the Commission and FWS responses, additional information is needed in the corrective action plan including—

- specific action(s) taken or planned to address the recommendations;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Commission.



## **B. Unreported Program Income**

Program income is gross income received by a grantee directly generated by a grant-supported activity. The Commission collected admission fees and sold fish food at the Ak-Sar-Ben Aquarium, which is 95 percent funded by the Aquatic Education grants F-82-E-21 and F-82-E-22. We found that the Commission did not report program income of \$19,848 on these two grants in the amounts of \$10,511 and \$9,337, respectively.

According to 43 CFR § 12.65(b), program income consists of gross income received by a grantee that is directly generated by a grant-supported activity or earned only as a result of the grant agreement during the grant period. Furthermore, 43 CFR § 12.65(g) requires that program income be deducted from grant expenditures unless the grant agreement specifies another method.

Commission officials stated that the reporting of program income was overlooked due to staff turnover. The Federal share of unreported program income totaled \$14,886 for grants F-82-E-21 (\$7,883) and F-82-E-22 (\$7,003).

### **Recommendation**

We recommend that FWS resolve the Federal share of unreported program income totaling \$14,886.

### **Commission Response**

Commission officials concurred with the finding and recommendation.

### **FWS Response**

FWS will consider the State's comments in preparing a corrective action plan.

### **OIG Comments**

Based on the Commission and FWS responses, additional information is needed in the corrective action plan including—

- specific action(s) taken or planned to address the recommendation;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Commission.

## **C. Unreconciled Real Property Records**

The Commission must ensure that its database of real property is accurate and reconciles with FWS land records to maintain control over the use of land

acquired with Program funds. The Commission and FWS agreed that they had not performed the required land reconciliation. In addition, lands acquired with hunting and fishing license revenues are not identified in the Commission's land access database.

Federal regulations (50 CFR § 80.18(c)) requires each State to maintain accountability and control of all assets acquired under the Program. In addition, the FWS Director reiterated land management requirements to Program participants in a March 29, 2007 letter. The letter requested that each State maintain a real property management system that includes a comprehensive inventory of lands acquired with both Federal financial assistance and State hunting and fishing license revenue to ensure that its inventory is accurate and complete.

Commission officials were not aware of the Director's letter regarding the reconciliation. In addition, the Commission has not developed policies and procedures to ensure that land acquired with hunting and fishing license revenues are identified in its land access database.

As a result, the Commission's land records are not adequate to ensure that lands acquired with grant funds are used solely for the intended purposes and that lands acquired with license revenues are used for fish and wildlife activities.

### **Recommendations**

We recommend that FWS work with the Commission to:

1. Reconcile land records purchased with Program funds; and
2. Implement policies and procedures to identify land purchased with hunting and fishing license revenues in its land access database.

### **Commission Response**

Commission officials did not concur with the finding and recommendations. The Commission believes their records are adequate but will work with FWS to complete a reconciliation.

### **FWS Response**

FWS will consider the State's comments in preparing a corrective action plan.

**OIG Comments**

Based on the Commission and FWS responses, additional information is needed in the corrective action plan including—

- specific action(s) taken or planned to address the recommendations;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Commission.

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## Appendix I

**State of Nebraska  
Game and Parks Commission  
Financial Summary of Review Coverage  
July 1, 2009, Through June 30, 2011**

<b>Grant Number</b>	<b>Grant Amount</b>	<b>Claimed Costs</b>
F-6-B-9	\$76,667	\$61,888
F-6-B-10	60,000	61,063
F-75-R-27	254,978	259,191
F-75-R-28	223,610	255,877
F-75-R-29	255,260	57,351
F-82-E-21	563,513	512,655
F-82-E-22	475,154	776,439
F-82-E-23	462,904	17,853
F-84-D-21	1,082,575	1,020,976
F-84-D-22	669,585	71,693
F-86-D-22	5,704,767	3,843,467
F-87-R-20	486,000	476,671
F-87-R-21	385,000	497,247
F-87-R-22	490,000	45,500
F-118-R-11	108,504	108,945
F-118-R-12	109,496	103,713
F-118-R-13	113,816	
F-126-R-10	68,768	70,902
F-145-B-1	2,333,333	2,333,333
F-160-R-7	137,078	137,078
F-160-R-8	121,667	133,404
F-160-R-9	125,982	16,585
F-161-B-2	800,000	1,304,481
F-162-B-1	1,900,667	1,904,336
F-164-R-3	90,141	115,594
F-165-B-1	183,333	117,020
F-166-R-6	58,697	67,672
F-167-D-2	26,667	30,548
F-168-T-6	79,667	90,334
F-168-T-7	137,833	143,703
F-168-T-8	132,400	79,473
F-171-B-1	795,854	820,854
F-173-B-1	224,000	224,000
F-174-R-3	\$140,136	\$156,128
F-174-R-4	86,602	89,559

Grant Number	Grant Amount	Claimed Costs
F-174-R-5	106,905	115,485
F-176-R-3	64,427	86,118
F-176-R-4	107,392	127,107
F-176-R-5	91,220	34,925
F-177-R-2	110,065	99,740
F-177-R-3	16,616	22,636
F-180-R-1	910,094	548,975
F-181-B-1	300,000	300,000
F-182-R-1	524,495	576,362
F-182-R-2	850,608	707,090
F-182-R-3	971,348	237,419
F-183-B-1	40,000	34,875
F-185-DB-1	316,667	455,382
F-187-D-1	333,333	295,172
F-188-D-1	415,000	
F-189-D-1	120,000	
F-190-R-1	57,626	56,584
F-190-R-2	64,595	
FW-6-C-69	136,000	149,931
FW-6-C-70	136,000	144,709
FW-12-T-36	120,000	120,190
FW-12-T-37	123,000	118,869
FW-16-L-31	482,667	395,422
FW-16-L-32	435,000	430,962
FW-16-L-33	464,147	463,707
FW-19-T-21	1,758,106	1,342,168
FW-21-D-10	5,011,871	5,001,123
FW-21-D-11	2,955,700	3,154,584
FW-21-D-12	3,048,700	3,122,456
FW-22-T-1	93,333	92,370
FW-22-T-2	162,392	82,760
W-15-R-66	725,000	725,451
W-15-R-67	724,265	758,727
W-15-R-68	753,500	69,012
W-40-E-35	551,419	792,893
W-40-E-36	659,083	852,840
W-40-E-37	659,083	16,301
W-41-T-33	887,000	903,877
W-41-T-34	\$470,000	\$450,785
W-42-L-3	2,080,000	2,092,767
W-53-L-58	126,167	125,333
W-53-L-59	129,213	122,389

Grant Number	Grant Amount	Claimed Costs
W-78-L-39	224,000	218,512
W-78-L-40	687,843	692,299
W-87-E-4	106,667	121,544
W-87-E-5	106,667	438,074
W-87-E-6	106,667	144,331
W-87-E-7	106,667	
W-88-O-1	500,000	69,128
W-89-R-1	325,127	72,505
W-90-HM-1	1,481,576	793,856
W-91-R-1	186,200	110,471
W-92-HM-1	275,000	
W-93-T-1	1,756,600	63,805
W-94-R-1	52,033	
W-95-C-1	56,000	11,200
W-96-T-1	394,360	
W-97-T-1	193,809	
<b>TOTAL</b>	<b>\$53,615,907</b>	<b>\$43,968,754</b>

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## Appendix 2

**State of Nebraska  
Game and Parks Commission  
Sites Visited**

**Headquarters**  
Lincoln, NE

**District Office**  
Southeast (Lincoln)

**Wildlife Management Areas**  
Branched Oak Lake (Malcolm)  
Hickory Ridge (Vesta)  
Iron Horse Trail (Beatrice)  
Medicine Creek (Cambridge)  
Osage (Tecumseh)  
Pawnee Prairie (Burchard)

**Boat Ramps**  
Iron Horse Trail Lake  
Lake Wanahoo

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## Appendix 3

**State of Nebraska  
Game and Parks Commission  
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2, B, C.1, and C.2	FWS will consider the State's comments in preparing a corrective action plan, additional information is needed.	Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Findings and Recommendations section under OIG Comments. We will refer the recommendations not resolved and/or implemented at the end of 90 days (after February 28, 2013) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.



# **Report Fraud, Waste, and Mismanagement**



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to Departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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<b>By Fax:</b>	703-487-5402	
<b>By Mail:</b>	U.S. Department of the Interior Office of Inspector General Mail Stop 4428 MIB 1849 C Street, NW. Washington, DC 20240	