



**Department of the Interior
Office of Inspector General**

AUDIT REPORT

**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**

Report No. R-GR-FWS-0003-2007

September 2007



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230
Reston, Virginia 20191

September 19, 2007

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Christina M. Bruner *Christina M. Bruner*
Director of External Audits

Subject: 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)

This report presents the results of our audit of costs incurred 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 Federal Assistance Program for State Wildlife Restoration and Sport Fish Restoration (Federal Assistance Program). The audit included claims totaling approximately \$15,941,051 on 79 grants that were open during State fiscal years (SFYs) ended June 30 of 2006 and 2007 (see Appendix 1). The audit also covered Commission 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. However, we found that the Commission had inadequate security controls for their information technology systems and did not report all program income.

We provided a draft of the report to FWS and the Commission for responses. We summarized Commission and FWS Region 6 responses after each recommendation, as well as our comments on the responses. FWS stated they would consider the Commission's comments in their corrective action plan. We list the status of each recommendation in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by December 18, 2007. Your response should include information on actions taken or planned by the State, targeted completion dates, and titles of officials responsible for implementation.

If you have any questions regarding this report, please contact the audit team leader, Mr. W. S. (Bill) Streifel at 916-978-5625, or me at 703-487-5345.

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

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)² established the Federal Assistance Program for State Wildlife Restoration and Sport Fish Restoration. Under the Federal Assistance Program, 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

Our audit objectives were to determine if the Commission:

- claimed the costs incurred under Federal Assistance Program grants in accordance with the Acts and related regulations, FWS guidelines, and the 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 \$15,941,051 on the 79 grants that were open during SFYs 2005 and 2006 (see Appendix 1). We report only on conditions that existed during the audit period. We performed our audit at the Commission's headquarters in Lincoln, NE, and visited 3 District Offices, 12 Wildlife Management Areas (WMAs), 3 boat ramps, and 2 other locations (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendment of 1996 and by Office of Management and Budget Circular A-133.

Methodology

We performed our audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States. We tested records and conducted auditing procedures as necessary under the circumstances. Our tests and procedures included:

- examining the evidence that supports selected expenditures charged to the grants by the Commission;

²As amended 16 U.S.C. §§ 669 and 777, respectively.

- 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 review equipment and other property;
- determining whether the Commission used hunting and fishing license revenues solely for sport fish and wildlife program purposes; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

To the extent possible, we relied on the work of the Nebraska Auditor of Public Accounts, which helped to avoid duplication of audit effort.

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 in these systems 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 Commission operations.

Prior Audit Coverage

On January 9, 2004, we issued “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” (Report No R-GR-FWS-0024-2003). We followed up on all recommendations in the report and found that the Department of Interior, Office of the Assistant Secretary for Policy, Management and Budget considered them to be resolved and implemented.

We reviewed the State’s Comprehensive Annual Financial Report and the Single Audit Report for SFY 2005. The reports did not include any findings regarding the Department’s Federal Assistance Program grants or programs under the grants.

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, including those pertaining to license revenues. However, we identified conditions that resulted in the findings listed below. We discuss the findings in more detail in the Findings and Recommendations section.

Inadequate Security Controls for Information Technology Systems. The Commission allowed certain employees to access financial information stored on the local server using the same user identification and password. It also failed to require alteration of passwords at regular intervals.

Unreported Program Income. The Commission did not report all program income earned under Federal Assistance Program grants FW 21-D-7 and FW 21-D-8.

Findings and Recommendations

A. Inadequate Security Controls for Information Technology Systems

The Commission stores all critical financial data on a local server. The Commission's information technology manager is responsible for issuing user identifications and passwords to employees so they can access this data. The manager only issued one user identification and password to each of the Commission's Divisions, including the Personnel, Budget and Fiscal, and Federal Aid Divisions. All employees in each division shared the same user identification and password to access the critical financial data. In addition, the Commission does not have policies or processes to ensure passwords are changed periodically.

The State's Information Security policies require that all users have a unique user identification and confidential password to log on to information technology systems. In addition, passwords should be changed at regular intervals, at least every 90 days.

Unique user identifications are necessary to assign specific privileges to a particular user. Not restricting privileges by user makes it difficult to ensure separation of duties and other generally accepted security measures. Additionally, the use of computer passwords that are not confidential allows unauthorized access and increases the risk of loss or misuse of critical Commission financial and grant data.

Recommendation

We recommend that FWS require the Commission to maintain unique user identifications and passwords for each user who has access to Commission computer systems and require that passwords be changed on a periodic basis, at least every 90 days.

Commission Response

Commission officials did not concur with the finding. They believe critical financial data is stored following statewide protocol for access restrictions. However, the Commission is in the process of reorganizing the Information Technology section and its network environment. The new system will allow for individual user identifications and passwords and require that the passwords be changed every 90 days in accordance with State information technology policy.

FWS Response

FWS Region 6 officials stated that the Commission's response will be considered in the preparation of the Corrective Action Plan.

OIG Comments

We consider the recommendation unresolved because FWS Region 6 officials did not indicate whether or not they concurred with the recommendation. The Commission's planned reorganization and change in network environment should adequately address the audit recommendation, but additional information is needed in the corrective action plan, including:

- FWS concurrence or nonconcurrence with the recommendation, and the rationale for any nonconcurrence;
- actions taken or planned;
- targeted completion dates;
- titles of the officials responsible for implementation; and
- verification that FWS headquarters officials reviewed and approved of actions taken.

B. Unreported Program Income

The Commission did not report all barter transactions that occurred on lands within the WMAs managed and maintained with Federal Assistance Program funds under grants FW-21-D-7 and FW-21-D-8. The barter transactions allow farmers to grow crops on WMAs in exchange for leaving a portion of the crops for wildlife. The gross value of the crops is barter income. Grantees may earn such "program" income from grant-related activities, but the Code of Federal Regulations (50 C.F.R. § 80.14(c)) requires grantees to report such income to FWS.

Title 43 C.F.R. § 12.65(b) defines program income as gross income received by the grantee that is directly generated by a grant-supported activity, or earned only as a result of the grant agreement during the grant period. Commission officials do not believe they

need to report barter transactions involving row crops because the lease protocols for the crops prohibit Commission staff from charging Federal Assistance Program grants for time spent negotiating or monitoring the leases. Our limited tests of revenue and expense accounts and payroll records did not indicate that employees charged to the grants any time spent managing row crop leases. However, such costs were not specifically segregated in the accounting system and could not be easily identified.

Additionally, the services provided by the farmers (i.e., the crops left for wildlife) support the objectives of grants FW-21-D-7 and FW-21-D-8. The FWS Manual (522 FW 19.4, Exhibit 1(1)) requires grantees to report income they receive from contractor-provided services that support grant objectives on lands purchased or managed with grant funds. The objectives of the grants include providing, protecting, and enhancing wildlife and fish habitats on State WMAs and establishing and managing habitat components utilized by Nebraska wildlife. The crop lease agreements indicate specifically that the arrangements under the leases “are directed primarily at accomplishment of wildlife management and related public uses.” We therefore believe the barter transactions should be reported to FWS to meet the requirements of 522 FW 19.4.

Recommendations

We recommend that FWS:

1. resolve the unreported barter transactions that occurred during the audit period and
2. coordinate with the Commission to establish procedures that ensure the Commission reports on the financial status reports those barter arrangements that support grant objectives.

Commission Response

Commission officials do not concur with our finding or with our recommendations, and cite 43 C.F.R. § 12.65(b) as support. The officials state that they established a policy excluding cropping expenses and income from grant FW-21-D, in consultation with FWS. The officials further state that they recorded all barter transactions, but that they only report transactions involving grant related activities on the financial status reports.

FWS Response

In response to recommendations B.1 and B.2, FWS Region 6 officials stated they will consider the Commission's comments in preparing the Corrective Action Plan.

OIG Comments

We consider the recommendations B. 1 and B. 2 unresolved because FWS region 6 officials did not indicate whether or not they concurred with the recommendations.

In response to the Commission, we recognize the difficulty in interpreting the regulations and guidance on program income. As cited in the finding above, we understand that

using only 43 C.F.R. § 12.65(b) would lead Commission officials to believe the crops do not need to be reported as program income. However, as also cited above, FWS provides additional guidance in 522 FW 19.4, Exhibit 1(1) on interpreting 43 C.F.R. § 12.65(b). The guidance requires grantees to report income from contractor-provided services that support grant objectives on lands purchased or managed with grant funds. The services provided by the farmers (the crops left as forage for wildlife) supported the objectives of grants FW-21-D-7 and FW-21-D-8. These grants provide funds to manage the lands on which the farmers grew crops. The conservation leases specifically stipulate that the leases are management tools” directed primarily at accomplishment of wildlife management and related public uses,” which are activities that support grant objectives.

The corrective action plan should include:

- FWS concurrence or nonconcurrence with the recommendations, and the rationale for any nonconcurrence;
- targeted completion dates;
- titles of officials responsible for actions or plans to resolve and implement the recommendations; and
- verification that FWS headquarters officials reviewed and approved actions taken or planned by the State.

**NEBRASKA GAME AND PARKS COMMISSION
FINANCIAL SUMMARY OF REVIEW COVERAGE
FROM JULY 1, 2004 THROUGH JUNE 30, 2006**

Grant Number	Grant Amount	Claimed Costs²
F-6-B-5	\$40,000	\$33,530
F-6-B-6	40,000	28,182
F-75-R-22	407,215	428,507
F-75-R-23	216,230	185,928
F-75-R-24	221,230	
F-82-E-17	542,276	254,600
F-82-E-18	519,944	
F-82-E-19	600,533	
F-84-D-16	498,680	270,292
F-84-D-17	546,060	317,231
F-84-D-18	635,750	
F-85-L-5	45,000	38,869
F-86-D-17	986,775	905,142
F-86-D-18	1,335,575	918,999
F-86-D-19	1,060,756	
F-87-R-16	490,000	448,192
F-87-R-17	500,000	497,314
F-87-R-18	516,000	
F-118-R-7	105,346	99,316
F-118-R-8	108,310	94,170
F-118-R-9	106,352	
F-126-R-7	71,040	14,312
F-126-R-8	6,040	6,403
F-126-R-9	61,300	
F-141-R-5	190,667	208,705
F-145-B-1	2,333,333	846,156
F-148-B-2	22,000	16,791
F-150-B-1	289,000	
F-154-B-1	56,000	
F-155-R-3	39,000	37,332
F-156-B-1	225,000	166,528
F-160-R-2	72,868	87,615

² Grants with no amount in the claimed costs column were active during the audit period but were not complete when the audit commenced.

**NEBRASKA GAME AND PARKS COMMISSION
FINANCIAL SUMMARY OF REVIEW COVERAGE
FROM JULY 1, 2004 THROUGH JUNE 30, 2006**

Grant Number	Grant Amount	Claimed Costs²
F-160-R-3	75,656	80,905
F-160-R-4	78,282	
F-162-B-1	1,133,333	317,104
F-163-B-1	12,650	11,006
F-164-R-2	80,808	71,359
F-164-R-3	90,141	
F-166-R-1	63,721	66,066
F-166-R-2	60,629	77,372
F-166-R-3	13,790	
F-167-D-1	1,046,350	1,050,014
F-168-T-1	84,000	52,821
F-168-T-2	81,000	77,357
F-168-T-3	90,000	
F-169-O-1	130,000	130,030
F-169-O-2	92,850	
F-170-B-1	270,000	
F-172-R-1	8,965	
FW-6-C-64	215,110	120,236
FW-6-C-65	215,000	
FW-12-T-31	120,000	102,787
FW-12-T-32	120,000	103,344
FW-16-L-27	243,215	229,645
FW-16-L-28	276,815	276,907
FW-16-L-29	312,000	
FW-19-T-18	198,766	
FW-19-T-19	118,706	97,910
FW-19-T-20	233,912	
FW-21-D-7	2,788,911	2,523,329
FW-21-D-8	3,130,765	
W-15-R-61	724,550	836,167
W-15-R-62	834,910	743,973
W-15-R-63	871,800	

² Grants with no amount in the claimed costs column were active during the audit period but were not complete when the audit commenced.

**NEBRASKA GAME AND PARKS COMMISSION
FINANCIAL SUMMARY OF REVIEW COVERAGE
FROM JULY 1, 2004 THROUGH JUNE 30, 2006**

Grant Number	Grant Amount	Claimed Costs²
W-40-E-30	490,667	421,120
W-40-E-31	531,579	443,099
W-40-E-32	539,315	
W-41-T-29	607,000	488,769
W-41-T-30	607,000	385,431
W-41-T-31	607,000	
W-42-L-1	700,000	
W-53-L-54	247,667	233,402
W-53-L-55	78,267	68,951
W-78-L-34	311,200	304,368
W-78-L-35	186,267	74,904
W-78-L-36	246,500	245,021
W-78-L-37	310,587	
W-87-E-1	313,334	329,480
W-87-E-2	133,334	
	<u>\$32,614,632</u>	<u>\$15,941,051</u>

² Grants with no amount in the claimed costs column were active during the audit period but were not complete when the audit commenced.

**NEBRASKA GAME AND PARKS COMMISSION
SITES VISITED**

Headquarters

Lincoln

District Offices

Kearney
Lincoln
Norfolk

Wildlife Management Areas

Buffalohead
Cornhusker
George Syas
Hedgefield Lake
Kea Lake
Meridian-Alexander
North Lake Basin
Red Fox
Sacramento-Wilcox
Teal Lake
Yankee Hill
Yellowbanks

Other Sites

Ak Sar Ben Aquarium
Hunter Education, Lincoln

Boat Ramps

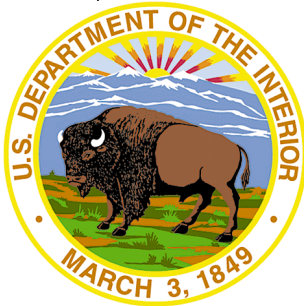
Hedgefield Lake
Red Fox
Yellowbanks

Appendix 3

NEBRASKA GAME AND PARKS COMMISSION STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Actions Required
A, B.1, and B.2	Unresolved	FWS should provide a response to the recommendations indicating concurrence or non-concurrence. If the FWS concurs, provide a plan that identifies the actions taken or planned to implement the recommendations, targeted completion date(s), the title of official(s) responsible for implementation, and verification that FWS officials reviewed and approved of actions taken or planned by the State. If FWS does not concur, provide the reasons for the non-concurrence. We will refer recommendations not resolved and/or implemented at the end of 90 days (after December 18, 2007) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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