

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF
NATURAL RESOURCES**

JULY 1, 2017, THROUGH DECEMBER 31, 2018

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Issued on June 6, 2019

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NEBRASKA DEPARTMENT OF NATURAL RESOURCES

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NEBRASKA DEPARTMENT OF NATURAL RESOURCES

BACKGROUND

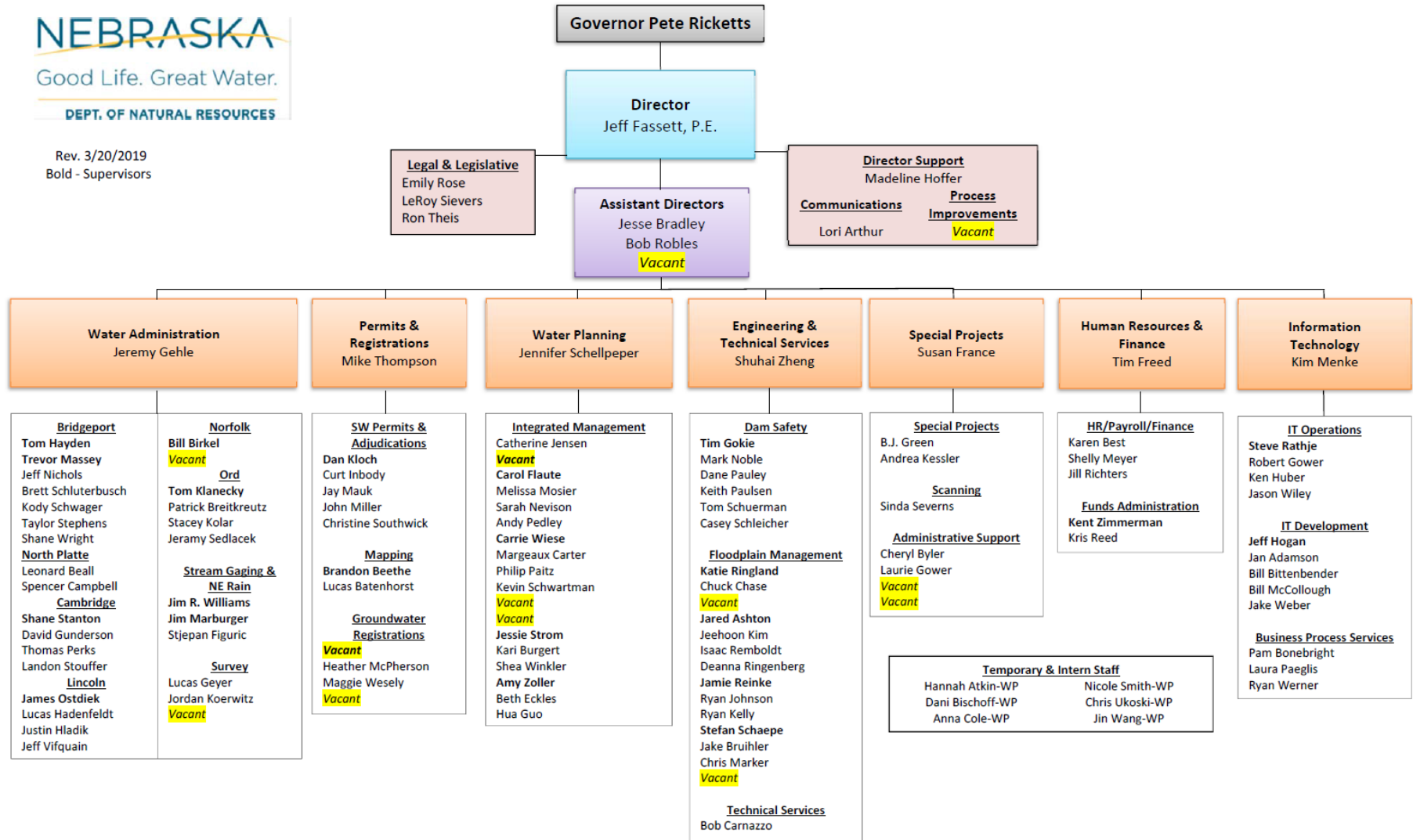
The Department of Natural Resources (Department) was established on July 1, 2000, when the former Department of Water Resources and Natural Resources Commission were merged into a single agency. The Department is responsible for the administration and enforcement of State water laws pertaining to water quantity, well registration, and dam and reservoir construction approval and inspection. The Department negotiates and administers water compacts and administers court decrees with surrounding states. The Department also serves as the official agency of the State in connection with soil and water conservation, flood prevention, watershed protection, and flood control.

Twenty-seven members make up the Nebraska Natural Resources Commission (Commission), of which 13 represent the State's recognized river basins and are elected to four-year terms. The Governor appoints the other 14 members with approval by the Legislature for four-year terms. The Commission carries out certain specific responsibilities in connection with natural resource districts. In addition, the Commission is responsible for adopting and amending the Department rules and regulations for the Small Watersheds Flood Control Fund, the Nebraska Resources Development Fund, the Nebraska Soil and Water Conservation Fund, the Water Well Decommissioning Fund, the Natural Resources Water Quality Fund, and the Water Sustainability Fund, all of which are administered by the Department.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES



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NEBRASKA DEPARTMENT OF NATURAL RESOURCES

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Members of the Natural Resources Commission Representing River Basins

Name	Area	Term Ending
N. Richard Hadenfeldt	Loup River Basin	January 2023
Dave Deines	North Platte River Basin	January 2021
Lawrence Bradley	Missouri Tributaries River Basin	January 2023
Greg Wilke	Niobrara-White-Hat River Basin	January 2021
Lyle Schroer	Little Blue River Basin	January 2021
John Miller	Big Blue River Basin	January 2023
Jeff Steffen	Missouri Tributaries River Basin	January 2023
Michael McDonald	Nemaha River Basin	January 2023
Mick Reynolds	Middle Platte River Basin	January 2021
Kevin Fornoff	Republican River Basin	January 2021
Garry Anderson	Elkhorn River Basin	January 2021
Karen S. Amen	Lower Platte River Basin	January 2023
Bill Halligan	South Platte River Basin	January 2023

Members of the Natural Resources Commission Appointed by the Governor

Name	Area	Term Ending
Loren Taylor	Groundwater Irrigators	May 2022
Thomas L. Knutson	Surface Water Irrigators	May 2020
Stan Clouse	Municipal Water User from City of First or Second Class	May 2020
Brian Barels	Public Power Districts	May 2020
James Shields	Metropolitan Utilities Districts	May 2020
Chad Wright	Municipal Water User from City of Primary Class	May 2020
Brad Dunbar	Manufacturing Interests	May 2020
Scott Smathers	Outdoor Recreation Users	May 2020
Don Kraus	Public Power & Irrigation Districts	May 2022
Walter Dennis Strauch	Irrigation Districts	May 2022
Donald Batie	Agricultural Interests	May 2022
Mark Czaplewski	Wildlife Conservation Interests	May 2022
John Heaston	Agribusiness Interests	May 2022
Vacant	Range Livestock Owners	

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
KEY OFFICIALS AND AGENCY CONTACT INFORMATION
(Concluded)

Nebraska Department of Natural Resources Executive Management

Name	Title
Gordon (Jeff) Fassett	Director
Jesse Bradley	Assistant Director
Bob Robles	Assistant Director
Tim Freed Sr.	Human Resources and Finance Division Manager

Nebraska Department of Natural Resources
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NEBRASKA DEPARTMENT OF NATURAL RESOURCES

SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Natural Resources (Department), we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards*: Comment #1, “Department’s Outside Account,” which is considered to be material noncompliance.

By using qualifying words such as “alleged” or “allegedly” in comments to describe certain incidents or activities, the APA seeks to avoid the possibility that a report comment might be mistaken as containing an imputation of criminality. However, utilization of such modifying terms is not meant to indicate a lack of supporting documentation for the report comment or any insufficiency or other shortcoming relating thereto.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Department’s Outside Account:*** The Department transferred more than \$15.2 million to an outside account at the Nebraska Community Foundation that had very little activity in five years and was not reported to the Legislature. In addition, the Department appears to lack the authority to utilize the outside account.
2. ***Questionable Director Travel:*** The Director utilized State-owned vehicles for personal use, including trips to Wyoming and Colorado. Several trips were questioned, including those with improper vehicles logs filled out by the Director.
3. ***Revenue Issues:*** We noted a lack of segregation of duties over the revenue process, funds not deposited according to statute or at the correct amounts, and fee splits not documented.
4. ***Capital Asset Issues:*** There was a lack of segregation of duties over capital assets, as there was no documented, independent review of the capital asset reports or records. Assets were not tagged or removed from the asset listings timely.
5. ***Federal Receipts:*** The Department did not reconcile Federal funds to ensure receipts and expenditures were correct, and funds were reimbursed only if allowable. A Federal receipt for \$43,496 did not have documentation on file to support the expenditures for that reimbursement.
6. ***Expenditure Issues:*** Expenditures did not have adequate documentation on file and were coded incorrectly.
7. ***Employee Travel:*** Vehicle logs and expense reimbursements were not completed correctly. Unallowable expenses were reimbursed for mileage.
8. ***Incorrect Transfer:*** One transfer to the General Fund was not correct, with \$384,222 not included in the transfer amount.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and not our observations on any accounting strengths of the Department.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

SUMMARY OF COMMENTS

(Concluded)

Draft copies of this report were furnished to the Department to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

1. Department's Outside Account

Since 2012, the Nebraska Department of Natural Resources (Department) has transferred more than \$15.2 million in State revenues to the Basin Coalition Fund (Fund), which is managed by a private entity and operated outside of any meaningful governmental oversight. That Fund is not reflected in EnterpriseOne (E1), the State's official accounting system, and it has experienced limited activity over the years. Likewise, nobody in the Department disclosed the Fund's existence during the attestation. The APA became aware of the Fund only through our own review of the Platte Basin Water Project Coalition (Coalition) agreement during testing of a separate expenditure for a different project for the Coalition made directly by the Department to the contractor.

Background of Fund

In June/July of 2012, the Coalition was created as a separate legal entity through the Platte Basin Water Project Coalition Interlocal Cooperation Agreement (ICA), which was entered into by the Department, the South Platte Natural Resources District, the Twin Platte Natural Resources District, the North Platte Natural Resources District, the Tri-Basin Natural Resources District, and the Central Platte Natural Resources District.

Per its own "Recitals" section, the purpose of the ICA was to establish "a joint and cooperative undertaking to jointly undertake projects to satisfy the terms" of the Platte River Recovery Implementation Program, requirements of the Nebraska Ground Water Management and Protection Act, and provisions in the Integrated Management Plans and the Basin-Wide Plan for Joint Integrated Water Resources Management of Overappropriated Portions of the Platte River Basin, Nebraska.

Section 7.03.1 of the ICA provides for the establishment of a trust account within the Nebraska Community Foundation (Foundation) to receive funds for the Coalition.

According to its own website (<https://www.nebcommfound.org/about/overview/>), the Foundation is "a tax-exempt public charity in accordance with Section 501(c)(3) of the Internal Revenue Code" and is "governed by a volunteer board of directors made up of a diverse group of community leaders from across the state." That site also contains the following description of the Foundation:

Nebraska Community Foundation was established in 1994 by a group of visionaries determined to empower communities throughout the state to grow and prosper. They believed that with the right tools and resources, people could build the hometowns of their dreams. Hometowns that are poised to attract families, lay a progressive and sustainable foundation, create opportunities, emanate pride and welcome everyone.

The same parties responsible for creating the ICA entered into a Financial Management Agreement (Agreement) with the Foundation in August/September 2012. The purpose of the Agreement is set out in Article I ("Objective/Purpose") thereof, as follows:

The purpose of this agreement is to establish an administrative and financial management support process for the Department and the NRDs for their activities in connection with: (1) the NNDP [Nebraska New Depletion Plan] section of the PRRIP [Platte River Recovery Implementation Program] and (2) any project within the Platte River basin in Nebraska that is in support of an approved IMP [Integrated Management Plan]. This Agreement establishes (1) the procedure for transfer of funds to the Foundation to pay financial obligations of the Department and the NRDs [Natural Resource Districts] under the NNDP and the PRRIP water action plan projects and other water projects; (2) the procedure for disbursement of funds from the Foundation in payment of financial obligations of the Department and the NRDs pursuant to third-party contracts among the Department and one or more of the NRDs, through the Foundation as their contracting agent, and consultants, vendors and contractors in an efficient and timely manner; and 3) the term by which the Foundation serves as the Department's and the NRD's contracting agent through this Agreement.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Department's Outside Account** (Continued)

Under Article III ("Foundation commitments") of the Agreement, the Foundation is obligated to do, among other things, the following:

Hold Funds transferred to it by the Department and/or the NRDs in a fund to be known as the Basin Coalition Fund (Fund) established for the purpose of meeting the Department's and NRDs' financial obligations for water projects identified by the Department and the NRDs.

The various recitals to the Agreement include one noting the Department's "authority to expend funds from the Water Resources Cash Fund to aid management actions taken to reduce consumptive uses of water" The money that the Department transfers to the Fund, which remains under the custody and control of the Foundation, comes exclusively from the Water Resources Cash Fund.

Since August 1, 2013, \$15,245,114 in public monies have been transferred from the Water Resources Cash Fund to the Fund. The following table details the State revenues transferred to the Fund since its creation:

Transfers to Basin Coalition Fund		
Calendar Year	Amount	Source
2013	\$ 3,860,890	Water Resources Cash Fund
2014	\$ 5,811,902	Water Resources Cash Fund
2015	\$ 0	
2016	\$ 5,572,322	Water Resources Cash Fund
2017	\$ 0	
2018	\$ 0	
Total	\$ 15,245,114	

Authority for Fund

The Department's use of the Fund gives rise to certain concerns by the APA. Not the least of these is the apparent lack of authority to transfer public money from the Water Resources Cash Fund to such a private repository.

The Water Resources Cash Fund is governed by Neb. Rev. Stat. § 61-218 (Reissue 2018), which provides, in relevant part, the following:

(1) The Water Resources Cash Fund is created. The fund shall be administered by the Department of Natural Resources. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

* * * *

(3) The fund shall be expended by the department (a) to aid management actions taken to reduce consumptive uses of water or to enhance streamflows or ground water recharge in river basins, subbasins, or reaches which are deemed by the department overappropriated pursuant to section 46-713 or fully appropriated pursuant to section 46-714 or are bound by an interstate compact or decree or a formal state contract or agreement, (b) for purposes of projects or proposals described in the grant application as set forth in subdivision (2)(h) of section 81-15,175, and (c) to the

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Department's Outside Account** (Continued)

extent funds are not expended pursuant to subdivisions (a) and (b) of this subsection, the department may conduct a statewide assessment of short-term and long-term water management activities and funding needs to meet statutory requirements in sections 46-713 to 46-718 and 46-739 and any requirements of an interstate compact or decree or formal state contract or agreement. The fund shall not be used to pay for administrative expenses or any salaries for the department or any political subdivision.

* * * *

(5)(a) Expenditures from the Water Resources Cash Fund may be made to natural resources districts eligible under subsection (3) of this section for activities to either achieve a sustainable balance of consumptive water uses or assure compliance with an interstate compact or decree or a formal state contract or agreement and shall require a match of local funding in an amount equal to or greater than forty percent of the total cost of carrying out the eligible activity. The department shall, no later than August 1 of each year, beginning in 2007, determine the amount of funding that will be made available to natural resources districts from the Water Resources Cash Fund and notify natural resources districts of this determination. The department shall adopt and promulgate rules and regulations governing application for and use of the Water Resources Cash Fund by natural resources districts. . . .

(6) The Department of Natural Resources shall submit electronically an annual report to the Legislature no later than October 1 of each year, beginning in the year 2007, that shall detail the use of the Water Resources Cash Fund in the previous year. The report shall provide:

(a) Details regarding the use and cost of activities carried out by the department; and

(b) Details regarding the use and cost of activities carried out by each natural resources district that received funds from the Water Resources Cash Fund.

Nothing in the above statutory language authorizes, either expressly or otherwise, the Department to transfer funds from the Water Resources Cash Fund to a separate account held and administered by a private entity. To the contrary, § 61-218(1) says, "The fund shall be administered by the Department of Natural Resources." Similarly, § 61-218(3) requires the fund to be "expended by the department."

Section 61-218(5)(a) directs the Department to "adopt and promulgate rules and regulations governing application for and use of the Water Resources Cash Fund by natural resources districts." Those administrative procedures, which are found at Title 461 of the Nebraska Administrative Code (NAC), not only specify the allowable uses of the Water Resources Cash Fund but also set out guidelines for the proper allocation and distribution of those monies. As with § 61-218, there is nothing in Title 461 that could be taken as authorization for Water Resources Cash Fund revenues to be transferred to a separate account held and administered by a private entity.

Such lack of authorization in Title 461 is particularly noteworthy given the following language found at Title 461 NAC 1-002:

Notwithstanding such general authority, moneys from the Fund are to be allocated and expended only in accordance with these rules and regulations.

The legal encyclopedia *Corpus Juris Secundum* (C.J.S.) addresses the authority of administrative agencies, as follows:

An administrative agency is purely a creature of the legislature, and agencies have only those powers expressly conferred by the legislature. Administrative officers and agencies, in the absence of a grant of power contained in the constitution, derive their powers and authority from the legislature Administrative agencies are bound to the

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Department's Outside Account** (Continued)

confines of the statute that created them, and the statute creating or defining an administrative agency is the measure of its powers and duties. Hence, while their powers are derived from, and they have the powers conferred on them by, valid statute, their powers are limited thereby, and they possess only such powers as are conferred on them by the constitution, or by statute, or only such powers as are conferred on them by ordinance, either expressly or, as discussed elsewhere, by implication from the grant of express powers.

73 C.J.S. *Public Administrative Law and Procedure* § 148 (“Powers limited by constitutional or legislative grant”), pgs. 333-336 (2014). The Nebraska Supreme Court (Court) clearly concurs with this view, stating the following:

Administrative bodies likewise have only that authority specifically conferred upon them by statute or by construction necessary to achieve the purpose of the relevant act.

Southeast Rural Volunteer Fire Dept. v. Nebraska Dept. of Revenue, Charitable Gaming, 251 Neb. 852, 867, 560 N.W.2d 436, 446 (1997). Additionally, the Court has stated the following:

That authority which is necessary to accomplish the purposes of an act must be narrowly construed.

Univ. Police Officers Union, etc. v. Univ. of Neb., 203 Neb. 4, 13, 277 N.W.2d 529, 535 (1979). Furthermore, per Neb. Rev. Stat. § 84-602(1) (Cum. Supp. 2018), the State Treasurer is authorized to “receive and keep all money of the state not expressly required to be received and kept by some other person[.]” Likewise, subsection (2) of that same statute directs the State Treasurer to “disburse the public money upon warrants drawn upon the state treasury according to law and not otherwise[.]”

Considering the lack of anything in either § 61-218 or Title 461 indicating a legislative intent for the Department to place Water Resources Cash Fund receipts in a separate account held and administered by a private entity, the APA must question the transfer of more than \$15.2 million in State funds to such an account. That unauthorized activity appears all the more problematic in light of the fact that it has not only prevented the funds at issue from being reflected in E1 but also effectively precluded the State Treasurer from exercising his statutory authority over them.

Annual Report

Section 61-218(6) requires the Department to provide the Legislature with an annual report of the Fund’s use, as follows:

The Department of Natural Resources shall submit electronically an annual report to the Legislature no later than October 1 of each year, beginning in the year 2007, that shall detail the use of the Water Resources Cash Fund in the previous year. The report shall provide:

(a) Details regarding the use and cost of activities carried out by the department; and

(b) Details regarding the use and cost of activities carried out by each natural resources district that received funds from the Water Resources Cash Fund.

A review of each report filed from 2012, the year of the Fund’s creation, to the present, reveals no mention of the Fund – meaning that, in addition to not being reflected in E1 and implemented outside of the oversight and control of the State Treasurer, the transfer of more than \$15.2 million in State monies to the Fund has remained formally undisclosed to the Legislature.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Department's Outside Account (Continued)

Administrative Expenses

Another concern regarding the use of the Fund has to do with language found in § 61-218(3), which prohibits Water Resource Cash Fund monies from being used for administrative costs or salaries, as follows:

The fund shall not be used to pay for administrative expenses or any salaries for the department or any political subdivision.

Since August 2013, \$81,410 from the Water Resource Cash Fund has been expended from the Fund to pay the administrative costs of the Foundation. Those administrative costs were paid pursuant to Article IV ("The Department Commitments") of the Agreement, which requires the Department to do the following:

4. *Pay the Foundation, for providing services pursuant to this Agreement, a management fee based on the respective NRD's sum of the cumulative annual disbursement for the fund created as a result of this agreement during each Foundation fiscal year, which is July 1 through June 30, as follows:*

Annual Cumulative Disbursements		
From	To	Management Fee
\$0	\$999,999	2.50%
\$1,000,000	\$1,999,999	2.25%
\$2,000,000	\$4,999,999	2.00%
\$5,000,000	\$9,999,999	1.75%
>\$10,000,000		1.50%

Likewise, according to its Form 990 ("Return of Organization Exempt from Income Tax") filed with the Internal Revenue Service for the period July 1, 2017, to June 30, 2018, the Foundation paid salaries ranging from \$254,839 to \$123,355 to four of its officers.

Those officer salaries are reflected in the following table:

Foundation Officer Salaries for 7/1/2017 to 6/30/2018		
Jeffrey G. Yost	President and CEO	\$ 254,839
Jason Kennedy	CFAO	\$ 197,468
Jim Gustafson	Dir. of Advancement & Gift	\$ 144,612
Diane W. Wilson	Mgr. of Public/Private Part.	\$ 123,355
Total		\$ 720,274

Because the Department paid \$81,410 in administrative fees, it is reasonable to surmise that, at the very least, a portion of the Foundation's officer salaries were paid with those restricted State funds.

Section § 61-218(3) prohibits Water Resource Cash Fund monies from being used for the administrative expenses or salaries of the Department or a political subdivision, and the Foundation falls within neither of these two categories. Nevertheless, if the administrative expenses or salaries of the Department or a political subdivision may not be paid out of the Water Resource Cash Fund, it is doubtful that those public monies should be used to pay the administrative expenses or salaries of a private entity, including a 501(c)(3) nonprofit organization like the Foundation.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Department's Outside Account (Continued)

Finally, even if it were proper to pay the Foundation's administrative expenses from the Fund with Water Resource Cash Fund monies, there would still be a question as to whether such costs were warranted. As noted at the outset of this comment, there has been surprisingly little activity in the Fund.

From September 1, 2013, through December 31, 2018, the only activity out of the Fund has been one vendor payment and an administrative fee charge. Both of those costs occurred more than five years ago, and no other expenses have been paid from the Fund since that time.

The following table summarizes the activity of the Fund:

Date	Description	Amount	Balance
9/3/2013	Payment in by the Department	\$ 3,854,833	\$ 3,854,833
10/15/2013	Payment in by the Department	\$ 6,057	\$ 3,860,890
10/15/2013	Payment out to Vendor	\$ 3,779,480	\$ 81,410
10/31/2013	Payment out for Admin Fees	\$ 81,410	\$ 0
1/2/2015	Payment in by the Department	\$ 5,811,902	\$ 5,811,902
1/31/2015 through 5/31/2016	Interest Earned	\$ 17,035	\$ 5,828,937
6/29/2016	Payment in by the Department	\$ 5,572,322	\$ 11,401,259
6/30/2016 through 12/31/2018	Interest Earned	\$ 132,999	\$ 11,534,258

Given the lack of payments out of the Fund for the past five years, it is uncertain why the Department made the June 2016 payment of \$5,572,322 when the account already had a \$5,828,937 balance. This question appears all the more perplexing in light of the Fund's complete inactivity, aside from interest earned, since the Department's prior \$5,811,902 payment to it in January 2015.

Additionally, the Legislature has transferred \$35,300,000 into the Water Resources Cash Fund from July 2007 through December 2018. The balance in the Water Resources Cash Fund as of December 31, 2018, was \$16,985,829.

Investment of Funds

Section 61-218(1) requires Water Resource Cash Fund monies to be invested by the State, as follows:

Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

By transferring more than \$15.2 million from the Water Resource Cash Fund to the Fund, causing that money to be excluded from E1, removed from the oversight and control of the State Treasurer, and left undisclosed to the Legislature, the Department has ensured also that those funds would not be invested by the State Investment Officer.

Article III, Section 5, of the Agreement that created the Fund says that the Foundation will do the following:

Invest all funds held by the Foundation for the Fund in short-term, secure investments such as bank accounts, money market accounts or funds, certificate [sic] of deposit, or interest-guaranteed or insured accounts, with preservation of principal being the primary investment criteria.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Department's Outside Account** (Continued)

Had they remained in the Water Resource Cash Fund, those public monies would have been invested by the State Investment Officer. In addition to allowing for compliance with § 61-218(1), this would have produced approximately \$837,495 in returns – well over five times the comparatively meager \$150,034 earned at the Foundation during the period January 1, 2015, through December 31, 2018.

Collateralization of Funds

Bank account balances greater than \$250,000 are not protected by the Federal Deposit Insurance Corporation (FDIC). Thus, Neb. Rev. Stat. § 77-2398(1) (Reissue 2018) requires public funds in excess of that amount to be secured by the appropriate pledged collateral when held in certain financial institutions, as follows:

As an alternative to the requirements to secure the deposit of public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation pursuant to sections 77-2389 and 77-2394, a bank, capital stock financial institution, or qualifying mutual financial institution designated as a public depository may secure the deposits of one or more governmental units by providing a deposit guaranty bond or by depositing, pledging, or granting a security interest in a single pool of securities to secure the repayment of all public money or public funds deposited in the bank, capital stock financial institution, or qualifying mutual financial institution by such governmental units and not otherwise secured pursuant to law, if at all times the total value of the deposit guaranty bond is at least equal to the amount on deposit which is in excess of the amount so insured or guaranteed or the aggregate market value of the pool of securities so deposited, pledged, or in which a security interest is granted is at least equal to one hundred five percent of the amount on deposit which is in excess of the amount so insured or guaranteed.

Because more than \$15.2 million in Water Resource Cash Fund monies transferred to the Fund is neither reflected on E1 nor overseen by the State Treasurer, it is unknown whether the necessary collateral was obtained for it.

Consequently, on December 31, 2018, the Fund held \$11,534,258 in State funds that may have been under-collateralized and, therefore, unprotected from potential loss. Any funds held by a financial institution, whether under the control of the State or otherwise, are at a greater risk of loss when the amounts in excess of FDIC coverage are not properly secured. When State funds are involved, moreover, failure to ensure proper collateralization contravenes State statute.

We recommend the Department seek guidance from the Attorney General regarding the legality of transferring Water Resource Cash Fund monies to the Fund – and, should such activity be deemed inappropriate under the current statutory provisions, take the appropriate remedial action.

Department Response: This “outside account” and the complex set of contracts and agreements were all originally established, reviewed by attorneys and approved prior to the current agency Director. These beneficial arrangements and commitments were reviewed and continued during the last four years in accordance with the terms of those agreements, and all transactions involving state funds were completed through the State accounting system, which have been open and available for review by the APA or others ever since.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Department's Outside Account** (Concluded)

This “outside account” and the multiple supporting contracts that support the water service agreement (WSA) between the Department, three Natural Resource Districts (NRDs); the TPNRD, TBNRD & CPNRD, Central Nebraska Public Power and Irrigation District (CNPPID), and the Platte River Recovery and Implementation Program (PRRIP, represented by the Nebraska Community Foundation), appear to have been misunderstood or misinterpreted. The Department has authority to enter into contracts and use Water Resources Cash Fund dollars for activities outlined in the contracts and the WSA. The “outside account” is an account that was established with the Nebraska Community Foundation for the purpose of executing the WSA with the contractor (CNPPID) to provide services to the State and other NRD parties as described and rendered under the WSA. It is not a Department account. The series of complex contracts and agreements that established the State benefits of the WSA was developed over a period of nearly three years, between approximately 2010 and 2013.

The State of Nebraska and the natural resource districts that separately contributed funds to the account all receive a service (10,200 AF of water credit for Nebraska's Federal Endangered Species Act compliance) under the WSA, and that service and the benefits received through the contractual arrangements, continues today. The fees and interest that are charged and accrued to the account are applied against the contractor's funds. Should the Department discontinue the WSA, under the terms of the contract the Department and/or the individual NRDs can request the State or District funds remaining in the account to be returned, at which time the Department would ensure, necessary protocols and reporting on those funds would be followed.

Additionally, statements in paragraph one of this section suggest that the Department intentionally did not disclose transactions associated with this project. The material facts do not support this statement or conclusion given that through the entire 18 month period of the audit (2017-2018) there was a complete lack of any transactional history during the period (see table on page 8 of APA report), and the Departments' full cooperation and compliance with all requests from APA throughout this audit for supporting documentation.

The Department has repeatedly reported out on the status of the expenditures supporting the WSA (J-2 Project) in its Water Resources Cash Fund reports that are submitted to the Legislature prior to October 1st of each year. The specific annual reports on expenditures associated with the WSA are the 2014 - 2016 reports. Copies of these reports to the legislature were provided to the APA. The Department will again discuss these contracts and agreements with the Attorney General's Office.

APA Response: In the response provided, the Department gives a detailed explanation of the reason for opening and maintaining the outside account at issue; however, it does not address, much less provide specific evidence for, the requisite legal authority to establish that account in the first place. The Department's own acknowledgement of the negligible activity in the account over the past couple of years appears to support, moreover, our questioning of not only its actual usefulness but also whether State funds should have continued to be transferred to its already substantial balance. Finally, the legislative reports say only that a payment was made for the project, not that the funds were actually transferred to a separate outside account and held there pending distribution by a third party.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Questionable Director Travel**

The Auditor of Public Accounts (APA) maintains an anonymous hotline telephone number and email address for Nebraskans to raise issues about possible waste, mismanagement, or fraud within government. Recently, the APA received an anonymous complaint that accused the Director of the Nebraska Department of Natural Resources (Department), Mr. Jeff Fassett, of purposely scheduling meetings in western Nebraska in order to use a State car to travel to and from his home in Wyoming. The complaint alleges also that Mr. Fassett has frequently claimed to be working from his Wyoming home, where his wife continues to reside, but is non-responsive during work hours. Additionally, according to the complaint, Mr. Fassett appeared in the Lincoln, NE, office only three or four work days during the entire month of October 2018.

Appointed as Director of the Department by Governor Pete Ricketts on June 18, 2015, Mr. Fassett is a Wyoming native and maintains his permanent residence in Cheyenne, WY. Mr. Fassett has retained his Wyoming driver's license and stays in a local apartment while working in Lincoln, NE, during the work week.

The APA analyzed the Director's travel from July 2017 through December 2018. In addition to substantiating that Mr. Fassett attended several meetings or conferences in western Nebraska and Wyoming during that time, the APA found certain issues with his travel. Among those concerns was Mr. Fassett's apparently improper personal use of State vehicles – an activity expressly prohibited by both Department policies and State law.

Per the State vehicle logs and Mr. Fassett's own expense reimbursement requests, the APA identified the following trips to Wyoming, which were claimed to be work related.

Date	Location	Purpose
7/12/2017	Cheyenne, WY	Personal State Vehicle Use
7/13/2017	Cheyenne, WY	Personal State Vehicle Use
7/18/2017	Douglas and Casper, WY	Water Tour
7/19/2017	Douglas and Casper, WY	Water Tour
8/26/2017	Cheyenne, WY	Travel for Conference
8/27/2017	Cheyenne, WY	Travel for Conference
9/3/2017	Cheyenne, WY	Return Travel for Conference
9/4/2017	Cheyenne, WY	Return Travel for Conference
11/7/2017	Torrington, WY	Niobrara Compact Meetings
11/8/2017	Torrington, WY	Niobrara Compact Meetings
1/11/2018	Cheyenne, WY	Irrigation Council Fort Collins
1/12/2018	Cheyenne, WY	Irrigation Council Fort Collins
1/13/2018	Cheyenne, WY	Personal Time
1/14/2018	Cheyenne, WY	Personal Time
1/15/2018	Cheyenne, WY	Return Travel
6/11/2018	Cheyenne, WY	Wyoming Off-Site Work
7/9/2018	Cheyenne, WY	Wyoming Off-Site Work
7/12/2018	Cheyenne, WY	Wyoming Off-Site Work
7/18/2018	Cheyenne, WY	Wyoming Off-Site Work
7/19/2018	Cheyenne, WY	Wyoming Off-Site Work
7/29/2018	Cheyenne, WY	Wyoming Off-Site Work
8/14/2018	Cheyenne, WY	Cheyenne to Denver for Committee Meeting
10/16/2018	Torrington, WY	NPDC Fall Meeting
10/17/2018	Torrington, WY	NPDC Fall Meeting

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Questionable Director Travel (Continued)

The above trips to Wyoming were identified by the Department's supporting documents; however, there may have been other trips to that state that did not involve either the use of a State vehicle or the expenditure of government funds. While the APA observed a few trips to Colorado and Kansas during the period tested, the vast majority of Mr. Fassett's out-of-state travel was to Wyoming or nearby locations.

On March 5, 2019, the APA presented the Director with a list of several questionable trips, asking for details about the travel at issue. Two weeks later, on March 19, 2019, the APA received a response to that inquiry. Based upon that information, the APA has summarized below the issues noted with those questionable trips – some of which included the apparently improper personal use of a State vehicle.

Questionable Trip #1

According to the following Transportation Services Bureau (TSB) travel log, completed and signed by the Director on July 13, 2017, the last day of his two-day trip, Mr. Fassett claimed to have driven 993 miles in a State vehicle from Lincoln, NE, to Kimball, NE, and then back to Lincoln.

It is important to note that Mr. Fassett filled out this travel log *immediately* upon returning the State vehicle to TSB on July 13, 2017, the same day that he concluded his trip.

20007 52310 2015 IMPALA CHEVY		TRANSPORTATION SERVICES BUREAU OFFICIAL MOTOR POOL TRAVEL LOG NOTE: An entry must be made each time the vehicle is driven (State Statute 81-1025) http://das.nebraska.gov/tsb/				LINCOLN MOTOR POOL JULY 2017 orfolk 6-28					
DAY OF MONTH	ODOMETER READING		MILES TRAVELED	TIME		DESTINATION		AG #	PURPOSE OF TRIP	DRIVER'S SIGNATURE	PARKING STALL #
	START	FINISH		START	FINISH	FROM	TO				
7/12	21103	21103	0			Local		6510	Clean	CAF	
7/12	21103	21113	10	9:00	10:30	Local		6506	Telco	my	5019
7/12	21113	—	—	2:30	—	Lincoln	Kimball				
7/13	—	22,105	993	—	10:45	Kimball	Lincoln	029	Meat/vis/turn	Mr. Fassett	N327

Nevertheless, according to Google Maps, a round trip from Lincoln, NE, to Kimball, NE, consists of only about 760 miles, not the 993 miles claimed – a substantial variance of some 233 miles.

In his response to the APA's inquiry regarding this conspicuous discrepancy, the Director admitted to not taking the State vehicle to Kimball, NE. Contrary to what he wrote on the travel log immediately upon his return, Mr. Fassett acknowledged that he drove the State vehicle instead to his home in Cheyenne, WY, on July 12, 2017, and then to Fort Collins, CO, on the next day for a personal doctor's appointment.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Questionable Director Travel** (Continued)

Copied below is the text of Mr. Fassett's response to the APA:

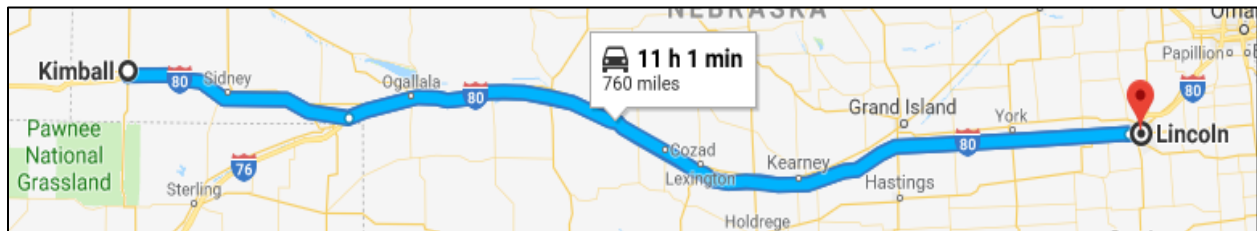
A meeting with representatives of the SPNRD [South Platte Natural Resources District], whom [sic] also sit on the Natural Resources Commission, was scheduled for Kimball, a location generally midway between Sidney and Bushnell area, but in route [sic] to this meeting, it was cancelled. During this travel west, I completed several work phone calls.

I continued travel west to Cheyenne, WY, and spent the night at my home in Cheyenne. This was clearly for personal reasons (see next sentence), and as such, I should have accounted for the mileage as personal, and should reimbursed the State for these miles, as well as a number of miles on the following day, noted below. I apologize for missing this on my claim for expenses, which needs to be corrected. I then traveled to Ft. Collins, CO, also for personal matters, a doctor appointment in follow up to shoulder surgery.

After this doctor visit, I continued my travels to Cambridge, NE. There I met with officials with the Frenchman-Cambridge Irrigation District (FCID) at their offices at approximately 3pm (Cent), as well as participated in a brief tour of some irrigation facilities within their district. This meeting and tour lasted until about 8pm, when I completed return travel to Lincoln, via Holdrege.

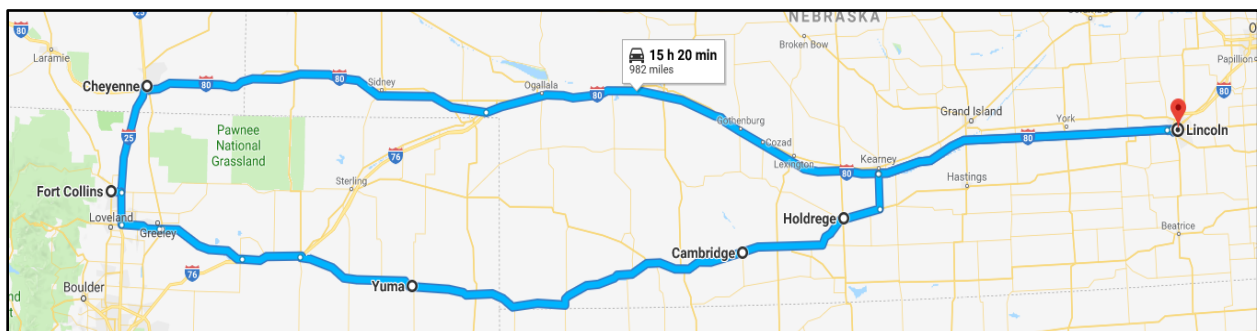
My timesheet on the 12th included only the travel time to Kimball (5 hrs.), since I also had a 1 hour of sick time for a PT appointment in Lincoln for my shoulder. For the 13th, I only included the approximate time associated with the meeting and tour with FCID around Cambridge, and return travel time to Lincoln. Again, a portion of the travel to Cambridge was personal and out of the way from Cheyenne and Ft. Collins, so that travel mileage was not properly recorded, but, as mentioned above, I should have reimbursed the State for the personal mileage on this trip, which was a mistake, so please let me know how to correct this situation and reimburse the State.

The following Google Map depicts the 760-mile round trip between Lincoln, NE, and Kimball, NE, which Mr. Fassett claimed on his travel log but admitted later to not taking:



Source: Google Maps > Directions beginning in Lincoln, NE, to Kimball, NE, and back to Lincoln, NE.

The Google Map below depicts the round trip between Lincoln, NE, and Cheyenne, WY, and Fort Collins, CO, which Mr. Fassett acknowledged actually taking:



Source: Google Maps > Directions beginning in Lincoln, NE, to Cheyenne, WY, to Fort Collins, CO, and back to Lincoln, NE.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Questionable Director Travel (Continued)

Reviewing the expense reimbursement request that Mr. Fassett submitted for this same trip, the APA noted further discrepancies. To start, that document lists Cheyenne, WY – not Kimball, NE, as entered on the TSB travel log – as the destination for July 12, 2017. The stated purpose of the travel is for “Meetings and calls re: Platte & Republican River basin issues; meet and tour w/FCID [Frenchman Cambridge Irrigation District].”

Copied below is Mr. Fassett’s expense reimbursement request for the trip, which was submitted after filling out the TSB travel log:

TRANSPORTATION DOCUMENT NUMBER		LODGING NUMBER		DOCUMENT		STATE OF NEBRASKA EXPENSE REIMBURSEMENT REQUEST										BATCH NUMBER 4933727		DOCUMENT NUMBER	
DATE	NAME OF PLACE AND NATURE OF SERVICE	TRAVEL TIMES		MEALS	LODGING	TRANSPORTATION			MISCELLANEOUS										
2017 month/day	Enter start and stop points for each trip State purpose of each trip	STARTED	STOPPED	Actual Amounts only	DB1, DB2, etc., if direct billed	RATE	MILES TRAVELED	AMOUNT	DESCRIPTION	AMOUNT	TOTAL								
7/12	Lincoln - Cheyenne	2:30 pm		B		0.540		-			-								
	Meetings and calls re: Platte & Republican			L		0.540		-			-								
	River basin issues; meet and tour w/FCID			D	7.71	0.540		-			-	7.71							
				B		0.540		-			-								
7/13	Return to Lincoln		11:30 pm	L		0.540		-			-								
				D	6.28	0.540		-			-	6.28							
				B		0.540		-			-								

In his response to the APA’s inquiry, Mr. Fassett claimed that the supposed meeting with the South Platte Natural Resources District (SPNRD) representatives in Kimball, NE, was cancelled “in route” to that gathering. According to both the TSB travel log and his expense reimbursement request, however, Mr. Fassett did not leave Lincoln, NE, until 2:30 p.m. on July 12, 2017. This means that not only would the sudden cancellation have occurred at an improbably belated hour in the afternoon, but also Mr. Fassett would not have arrived at his claimed destination until approximately 8:00 p.m. – an unusually late time to start a governmental meeting. Interestingly, the meeting notices found on the SPNRD’s web page (http://www.spnrd.org/Html/public_notice.html) show a typical starting time of 5:00 p.m.

Additionally, we noted that the SPNRD held its monthly Board meeting on July 11, 2017, only one day prior to the meeting claimed by Mr. Fassett. The minutes for that Board meeting are available online (<http://www.spnrd.org/Html/board.html#minutes>), and they contain no mention of any other meeting the following day.

Questioning the veracity of the claimed meeting cancellation, the APA reached out to the SPNRD General Manager and Mr. Halligan, who was on both the SPNRD Board and the Nebraska Natural Resources Commission at that time. The APA received the following response from the General Manager for the SPNRD on March 27, 2019:

I visited with Bill Halligan and discussed at some length with some of my staff regarding your email dated March 20, 2019. We were unable to find or confirm any documentation or information concerning a meeting dated July 12, 2017 among Mr. Halligan and/or others from the SPNRD and NeDNR Director Jeff Fassett.

On July 13, 2017, the second day of the trip, Mr. Fassett claims to have traveled to Cambridge, NE, to meet with Frenchman-Cambridge Irrigation District (FCID) officials and tour irrigation facilities in that district. This was done later in the afternoon, however, after Mr. Fassett had already driven the State vehicle from his home in Wyoming to a personal doctor’s appointment in Colorado.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Questionable Director Travel** (Continued)

As discussed in some detail already, the TSB travel log filled out by Mr. Fassett on July 13, 2017, indicated that he had driven straight from Kimball, NE, to Lincoln, NE, earlier that same day. As revealed by his own later admission, as well as the records of his fuel and food purchases during that trip, Mr. Fassett left his home in Wyoming, attended a personal doctor's appointment in Colorado, filled up the State vehicle with gas in Yuma, CO, and later ate in Holdrege, NE. All of this was done at the State's expense.

Assuming the trip to Cambridge, NE, was actually necessary, a round trip between there and Lincoln would be approximately 406 miles – well under half of the 993 miles recorded on the TSB travel log. Therefore, at least 587 miles driven with the State vehicle was for personal travel to Mr. Fassett's home in Wyoming and a personal doctor's appointment in Colorado.

In addition to driving a State vehicle some 587 miles for personal use, Mr. Fassett admitted to buying fuel with a State "Voyager" purchasing card and requesting reimbursement for meals consumed during that personal travel. Those additional expenses are set out below:

Date	Time	Description	Amount
7/12/17	3:01 PM (CST)	Stopped in York to eat at Arby's	\$ 7.71
	6:01 PM (CST)	Stopped in Ogallala, NE to refuel using State Voyager card	\$ 28.06
7/13/17	1:26 PM (CST)	Stopped in Yuma, CO to refuel using State Voyager card	\$ 27.18
	8:29 PM (CST)	Stopped in Holdrege to eat at Taco Johns	\$ 6.28

Mr. Fassett's activities during and after his July 12-13, 2017, round trip between Lincoln, NE, and Cheyenne, WY, with the various stops in between, give rise to serious concerns regarding apparent violation of both specific departmental policies and State law.

To start, Neb. Rev. Stat. § 28-924 (Reissue 2016) creates the offense of "official misconduct," as follows:

(1) A public servant commits official misconduct if he knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties.

(2) Official misconduct is a Class II misdemeanor.

Besides this rather general sanction, a number of more specific administrative and statutory provisions may be applicable to the concerns raised herein.

Improper Use of a State Vehicle

Mr. Fassett has admitted to driving a State vehicle hundreds of miles, over the course of two days, for his own personal benefit. The Department of Administrative Services – Transportation Services Bureau Policies and Procedures, Section 2, "General Information," Subsection 8, "Personal Use of State Vehicle," provides the following:

*Personal use of state-owned vehicles is **prohibited** and can result in dismissal. (Appendix A, §81-1024).*

Furthermore, Executive Order 99-01 (April 28, 1999), which was signed by then-Governor Mike Johanns, states the following:

The use of all state-owned vehicles will be strictly limited to conducting official business of the state. Any private use of a state-owned vehicle, including commuting to and from work, shall be cause for disciplinary action in accordance with Neb. Rev. Stat. § 81-1024 (Reissue 1994).

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Questionable Director Travel** (Continued)

Referenced in both of the above dictates, Neb. Rev. Stat. § 81-1024 (Reissue 2014) prohibits the personal use of State vehicles, as follows:

No officer or employee of the State of Nebraska shall use any motor vehicle owned by the State of Nebraska for any personal use whatsoever. Any officer or employee who violates any of the provisions of this section shall be deemed guilty of a Class V misdemeanor, and in addition thereto the officer or employee shall be deemed guilty of official misconduct in office for palpable omission of duty, and upon conviction thereof the court shall have the power to add to the judgment that any officer or employee so convicted shall be removed from office or employment.

Likewise, the Nebraska Political Accountability and Disclosure Act, which is set out at Neb. Rev. Stat. §§ 49-1401 to 49-14,142 (Reissue 2010, Cum. Supp. 2018), forbids public officials or employees from using public property for personal gain. Specifically, Neb. Rev. Stat. § 49-14,101.01(2) (Reissue 2010) provides the following:

A public official or public employee shall not use or authorize the use of personnel, resources, property, or funds under his or her official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures or use such items, other than compensation provided by law, for personal financial gain.

Per subsection (7) of that same statute, “[A]ny person violating this section shall be guilty of a Class III misdemeanor”

Improper Use of State “Voyager” Purchasing Card

It is clear from State “Voyager” purchasing card receipts that Mr. Fassett bought fuel with that card for and during his personal travel. This is an apparent violation of Neb. Rev. Stat. § 60-3101(6) (Cum. Supp. 2018), which provides the following:

No officer or employee of the state or of a political subdivision shall use a state fleet card for any unauthorized use.

Additionally, § 49-14,101.01(2) of the Nebraska Political Accountability and Disclosure Act, which is referenced above in relation to Mr. Fassett’s admitted misuse of a State vehicle, may be applicable also to his apparent misuse of the purchasing card.

Apparent Falsification of TSB Travel Log

Given both the timing of his completion of the TSB travel log and the extreme inaccuracy of the limited details that he provided therein, Mr. Fassett appears to have intentionally entered false information on that document. The following note is found at the top of each TSB travel log:

An entry must be made each time the vehicle is driven (State Statute 81-1025).

The Department of Natural Resources – Employee Workplace Policies, Chapter 8, “Use and Operation of Motor Vehicles,” Section (B)(8), “Logs,” requires the following:

Vehicle logs shall be completed with all required information All logs, including those for permanent assignment to the Department, long-term leases, and short-term leases (including those for day trips or multiple-day trips) shall be completed in detail in accordance with Transportation Services Bureau Policies and Procedures, Chapter 7.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Questionable Director Travel** (Continued)

The Department of Administrative Services – Transportation Services Bureau Policies and Procedures, Section 7, “Official Travel Log,” provides as follows:

State statutes mandate all travel in state-owned vehicles to be recorded and reported in detail (§81-1025). An entry is defined as a record of the following information required each time the vehicle is stopped and started: date, beginning and ending mileage, number of miles traveled, start time, finish time, from and to destinations, purpose of trip, and the driver’s signature.

Neb. Rev. Stat. § 81-1025(1) (Reissue 2014) provides, in relevant part, the following:

Each operator of a bureau fleet vehicle shall report the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel

Along with these administrative and statutory mandates is Neb. Rev. Stat. § 28-911 (Reissue 2016), which prohibits the “abuse of public records.” That statute provides, in relevant part, as follows:

(1) A person commits abuse of public records, if:

(a) He knowingly makes a false entry in or falsely alters any public record; or

** * * **

(d) He makes, presents, or uses any record, document, or thing, knowing it to be false, and with the intention that it be taken as a genuine part of the public record.

(2) As used in this section, the term public record includes all official books, papers, or records created, received, or used by or in any governmental office or agency.

(3) Abuse of public records is a Class II misdemeanor.

In addition to these serious concerns regarding the possible violations of departmental policies and State laws, Neb. Rev. Stat. § 84-305.01 (Cum. Supp. 2018) makes it a crime to hinder or mislead a State audit:

Any person who willfully fails to comply with the provisions of section 84-305 or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor. (Emphasis Added.)

Questionable Trip #2

According to the following TSB travel log, which was completed and signed by Mr. Fassett on January 15, 2018, he drove 1,356 miles from Lincoln, NE, to Fort Collins, CO, on January 10, 2018, and from Cheyenne, WY, back to Lincoln on January 15, 2018. No State vehicle activity was recorded per the log on January 11, 12, 13, or 14, even though the car was used on at least two of those days.

It is important to note that Mr. Fassett completed the travel log *immediately* upon returning the State vehicle to TSB on January 15, 2018, the same day that he concluded his trip.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

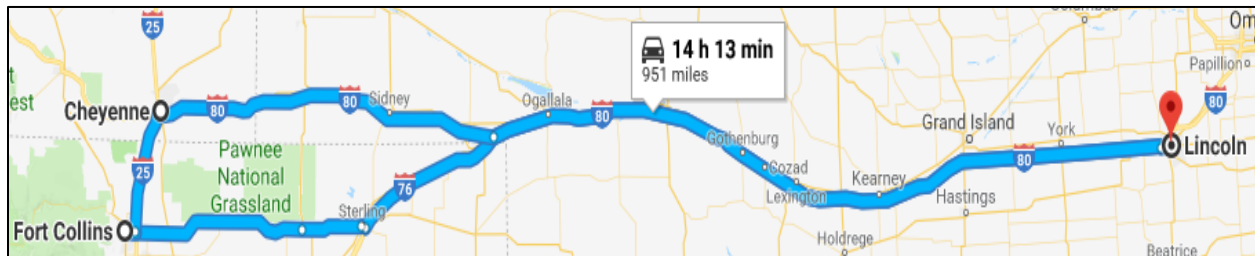
COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Questionable Director Travel** (Continued)

VEHICLE INFORMATION			TRANSPORTATION SERVICES BUREAU									
License #	Equip. #		OFFICIAL MOTOR POOL TRAVEL LOG									
20216	58440		NOTE: An entry must be made each time the vehicle is driven (State Statute 81-1025)									
Vehicle Description:			http://das.nebraska.gov/tsb/									
200			LINCOLN MOTOR POOL									
			JANUARY 2018									
DAY OF MONTH	ODOMETER READING	MILES TRAVELED	TIME	DESTINATION	AG #	PURPOSE OF TRIP	DRIVER'S SIGNATURE	PARKING STALL #				
START	FINISH	START	FINISH	FROM	TO							
1/3	24210	24210	8	AM	PM	LOCAL	65-10	CLEAN	JR			
1/3	24210	24228	88	10	4	Beaumont State Doul		meal	JR			
1-4	24228	24204	1	AM	PM	Local	65-10	clean	JR			
1/10	24290	25,200	—	1	0	Lincoln Ft Collins, CO	029	Conference	JR			
1/15	25,200	25,654	1,356	AM	5:30 PM	Cheyenne Lincoln	029	Meeting	1 J	N329		
2-1	25,654	25655	1	AM	PM	wash Local	65-10	wash clean	JR			

Nevertheless, according to Google Maps, a round trip from Lincoln, NE, to Fort Collins, CO, to Cheyenne, WY, and back to Lincoln is only about 951 miles, and not the 1,356 miles claimed on the TSB travel log. Additionally, Mr. Fassett recorded 902 miles traveled on January 10, from Lincoln to Fort Collins, but that trip is approximately 488 miles per Google Maps.

The following Google Map depicts the round trip described above:



Source: Google Maps > Directions beginning in Lincoln, NE, to Fort Collins, CO, then to Cheyenne, WY, and back to Lincoln, NE.

On March 19, 2019, Mr. Fassett responded to the APA's inquiry about this discrepancy with the following explanation:

The above discussion and timetable is consistent with this travel. I was a speaker at the Nebraska Water Resources Association - Water Roundtable session at 8am on the morning of the 10th and, as a member of the cabinet; I attended the Governor's State of the State address in the capital at 10am that same day. After his presentation, I drove from Lincoln to Ft. Collins, CO to attend and speak at the 4-States Irrigation Council 2018 Annual Meeting. However, I did not drive the route shown on the map above. I travelled west along I-80 and I-76 to just west of Ft. Morgan, CO and then drove on Highway 34 to Greeley, and then west to I-25, and north to Ft. Collins, and had dinner and stayed the night of the 10th at the Hilton Hotel in Ft. Collins, the location of the Council annual meeting. After the day of meetings, rather than stay overnight at the hotel in Ft. Collins, I drove to Cheyenne, and stayed at my home the evening of the 11th. I then returned to Ft. Collins in the state vehicle the morning of the 12th to attend the second day of meetings of the 4-States Irrigation Council. After those meetings ended, I again drove to Cheyenne and remained at

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

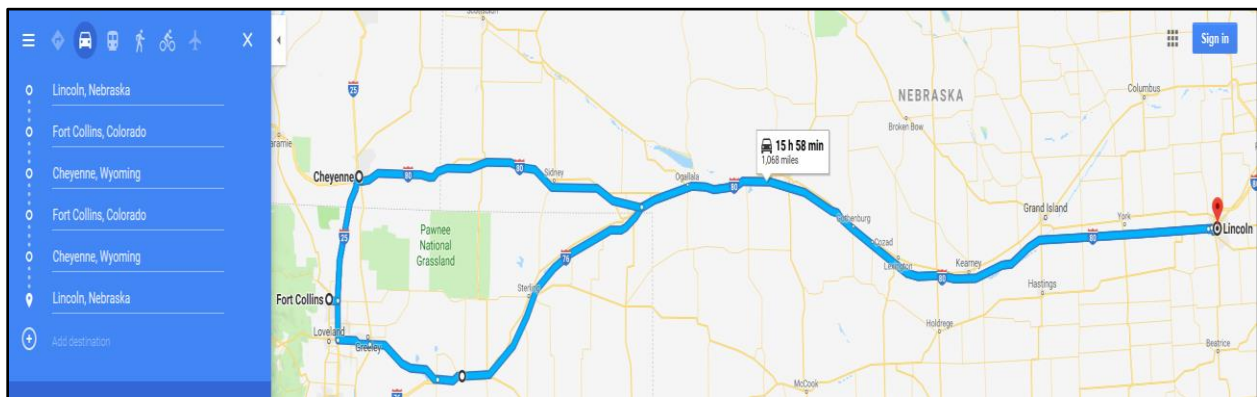
COMMENTS AND RECOMMENDATIONS (Continued)

2. Questionable Director Travel (Continued)

home in Cheyenne from the evening of the 12th through to the morning of January 15th, which is a State government designated holiday. I left Cheyenne and returned directly to Lincoln along I-80 on the 15th, arriving around 5:30pm. I did not use the state vehicle for any other travel during this period, and the total mileage recorded should align with this trip discussion.

The schedule of meetings for this conference is attached for reference.

As shown by the following Google Map, the total number of miles per Mr. Fassett's trip explanation is only 1,068, which is short of the claimed 1,356 miles by an unexplained 288 miles.



Source: Google Maps > Directions as stated above.

Based upon a comparison of the above maps, as well as review of other relevant documentation, Mr. Fassett must have driven the State vehicle more often than claimed in his response to the APA's inquiry. To accumulate the extra 288 miles calculated by the APA, the State vehicle was likely driven for personal use on January 13 and/or 14, while Mr. Fassett was at his home in Wyoming.

This conclusion is supported by the State vehicle's odometer readings, which were recorded when fuel was bought with the State "Voyager" purchasing card. Mr. Fassett claims not to have driven the State vehicle after arriving in Cheyenne, WY, on January 12, 2018, until undertaking his return trip to Lincoln, NE, three days later. When purchasing gas for the State vehicle on January 12, 2018, in Cheyenne, WY, Mr. Fassett recorded the vehicle odometer as reading 24,924 miles; however, upon purchasing more fuel on January 15 in Sidney, NE, which is only 100 miles away, Mr. Fassett recorded the odometer as reading 25,615 miles – a quite substantial variance of 691 miles.

The following table details the State vehicle's odometer readings, which support the conclusion that the car was driven significantly between the time of Mr. Fassett's fuel purchase in Cheyenne, WY, on January 12, 2018, and when he purchased fuel again in Sidney, NE, during his January 15, 2018, return trip to Lincoln, NE.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Questionable Director Travel (Continued)

Date	Beginning Odometer	Ending Odometer	Reported Miles	APA Calculated Miles (Per Google Maps)	To/From	Odometer Source
1/10/2018	24298	24587	289	274	Lincoln to Ogallala	TSB Log and Voyager Detail.
1/12/2018	24587	24924	337	353	Ogallala to Fort Collins to Cheyenne to Fort Collins to Cheyenne	Voyager Detail.
1/15/2018	24924	25615	691	104	Cheyenne to Sidney	Voyager Detail.
1/15/2018	25615	25654	39	337	Sidney to Lincoln	Voyager Detail and TSB Log.
		Totals	1,356	1,068		

Mr. Fassett, did not record the actual points of travel for this trip on the TSB travel log. As a result, the APA utilized the following purchases, which were identified per the State “Voyager” purchasing card transaction history, to help determine this State vehicle’s actual usage.

Account Name	Card ID	Transaction Occurred Date	Transaction Time	Units	Transaction Line Amount	Merchant Name	Merchant City	Merchant State	Actual Odometer
NE TSB POOLS	5816	1/10/2018	16:25:00	10.92	\$ 26.21	CASEYS OGALLALA	OGALLALA	NE	24587
NE TSB POOLS	5816	1/12/2018	14:50:00	10.72	\$ 25.08	LOAF N JUG #0115 Q81	CHEYENNE	WY	24924
NE TSB POOLS	5816	1/15/2018	12:48:00	12.27	\$ 29.67	LOVE'S TRAVEL STOPS #625	SIDNEY	NE	25615

Note: The 25,615 odometer reading on 1/15/2018 appears to have been recorded incorrectly by Mr. Fassett.

Based on the transaction detail above, Mr. Fassett must have purchased fuel with his personal funds between January 12-15, 2018, as the State vehicle could not have been driven the 691 miles between Cheyenne, WY, and Sidney, NE, on only one tank.

The following is Mr. Fassett’s expense reimbursement request for this trip, which was submitted after filling out the TSB travel log:

TRANSPORTATION DOCUMENT NUMBER		LODGING DOCUMENT NUMBER		STATE OF NEBRASKA EXPENSE REIMBURSEMENT REQUEST										BATCH NUMBER 5120059		DOCUMENT NUMBER	
DATE	NAME OF PLACE AND NATURE OF SERVICE Enter start and stop points for each trip State purpose of each trip	TRAVEL TIMES		MEALS	LODGING	TRANSPORTATION			MISCELLANEOUS								
2017 month/day		STARTED	STOPPED	Actual Amounts only	DB1, DB2, etc., if direct billed	RATE	MILES TRAVELED	AMOUNT	DESCRIPTION	AMOUNT	TOTAL						
1/10	2018 Annual Meeting 4-States Irrigation Council	11:00 am		B		0.540			State car - 466 miles each way = 932 miles RT		-						
	Lincoln to Fort Collins, CO			L	7.92	0.540		-			7.92						
	Hotel - Hilton Fort Collins			D	29.11	\$120.34		-			149.45						
1/11	Council meetings - Ft Collins			B	28.00	0.540		-			-						
				L		0.540		-			-						
				D		0.540		-			-						
1/12	Council meetings - Ft Collins			B		0.540		-			-						
				L		0.540		-			-						
				D		0.540		-			-						
	1/13 - 1/14 - Personal time			B		0.540		-			-						
				L		0.540		-			-						
				D		0.540		-			-						
1/15	Ft Collins to Lincoln		5:30 pm	B		0.540		-			-						
				L		0.540		-			-						

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Questionable Director Travel (Continued)

This expense reimbursement request is problematic for, at least, a couple of reasons. To start, it does not correspond with either the trip description that Mr. Fassett provided to the APA or the details that he recorded on the TSB travel log. Under the miscellaneous description heading, the form contains this information: “State car – 466 miles each way = 932 miles RT.” As pointed out already, however, the State vehicle was actually driven 1,356 miles. Also, Mr. Fassett recorded the following for January 15, 2018: “Ft Collins to Lincoln.” According to both the TSB travel log and the trip description that Mr. Fassett provided to the APA, he left his home in Cheyenne, WY, and was not in Fort Collins, CO, on January 15, 2018. In fact, Mr. Fassett never recorded his travel to Wyoming on this form.

Based on the mileage variances noted by the APA, as well as supported by the relevant documentation, Mr. Fassett appears to have used the State vehicle for personal benefit while at his home in Cheyenne, WY. Furthermore, Mr. Fassett appears to have knowingly entered false information on the TSB travel log. Both of these issues give rise to serious concerns regarding possible violations of the same departmental policies and State laws discussed at length in the first section of this comment (“Questionable Trip #1”) – namely, the following:

- Neb. Rev. Stat. § 28-924 (Reissue 2016), which creates the offense of “official misconduct” by a public servant.
- Department of Administrative Services – Transportation Services Bureau Policies and Procedures, Section 2, “General Information,” Subsection 8, “Personal Use of State Vehicle,” which prohibits personal use of State-owned vehicles.
- Executive Order 99-01 (April 28, 1999), which limits use of a State-owned vehicle to official business of the State.
- Neb. Rev. Stat. § 81-1024 (Reissue 2014), which prohibits personal use of a State-owned vehicle by a State officer or employee.
- Neb. Rev. Stat. § 49-14,101.01(2) (Reissue 2010) of the Nebraska Political Accountability and Disclosure Act, which prohibits a public officer or employee from using public property under his or her official care and custody for personal gain.
- Neb. Rev. Stat. § 60-3101(6) (Cum. Supp. 2018), which permits only authorized use of a State fleet card.
- Department of Natural Resources – Employee Workplace Policies, Chapter 8, “Use and Operation of Motor Vehicles,” Section (B)(8), “Logs,” which requires TSB vehicle logs to be filled out properly.
- Department of Administrative Services – Transportation Services Bureau Policies and Procedures, Section 7, “Official Travel Log,” which requires specific travel information to be recorded when using a State-owned vehicle.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS (Continued)

2. Questionable Director Travel (Continued)

- Neb. Rev. Stat. § 81-1025(1) (Reissue 2014), which requires the recording of detailed information relating to the use of a State-owned vehicle.
- Neb. Rev. Stat. § 28-911 (Reissue 2016), which prohibits the “abuse of public records.”

Questionable Trip #3

According to the following TSB travel log, completed and signed by the Director on August 22, 2018, he claimed to have driven 970 miles between August 20-22, 2018. That travel consisted of one round trip from Lincoln, NE, to Manhattan, KS, and back on August 20, 2018, and then another round trip from Lincoln, NE, to North Platte, NE, and back on August 21-22, 2018.

It is important to note that Mr. Fassett completed the travel log *immediately* upon returning the State vehicle to TSB on August 22, 2018, the same day that he concluded the second part of his excursion. Consequently, it is not feasible that he could have forgotten the details of a relatively simple travel itinerary that was finished only moments earlier.

VEHICLE INFORMATION				TRANSPORTATION SERVICES BUREAU								MONTH		YEAR	
License #	Equip. #			OFFICIAL MOTOR POOL TRAVEL LOG								LINCOLN MOTOR POOL			
20722	62417			NOTE: An entry must be made each time the vehicle is driven (State Statute 81-1025)								AUGUST 2018			
2016	20			http://das.nebraska.gov/tsb/											
IMPALA	CHV														
MONTH	START	FINISH	MILES TRAVELED	TIME	DESTINATION	AG #	PURPOSE OF TRIP	DRIVER'S SIGNATURE	PARKING STALL #						
8-6	13381	13387	6		Lincoln	16	move vehicle	R. Fassett							
8-7	13387	13418	32	9:20 AM	Lincoln	16	Assessor visit	R. Fassett							
8-7	13418	13422	5	12:00 PM	Lincoln	16	Assessor visit	R. Fassett							
8-7	13422	13532	80	4:20 PM	Lincoln	16	Return	R. Fassett							
8-15	13553	13610	58	8:30 AM	Lincoln	16	monitor	R. Fassett	W325						
8-15	13610	13671	61	1:25 PM	Lincoln	16	Return	R. Fassett							
8-16	13671	13671	0		Lincoln	16	Clear	R. Fassett							
8-16	13671	13722	51	10:00 AM	Lincoln	25	meetings	R. Fassett							
8-16	13722	13769	47	5:10 PM	Lincoln	25	Return	R. Fassett							
8-16	13769	13769	0		Lincoln	25	Clear	R. Fassett							
8-20	13769	14048	279	4:00 AM	Lincoln	29	meetings	R. Fassett							
8-21	14048	14739	691	8:30 AM	Lincoln	29	Return	R. Fassett							
8-22	14739	14739	0		Lincoln	29	Clear	R. Fassett							
8-24	14739	14765	26	10:57 AM	Lincoln	29	Return	R. Fassett	W324						

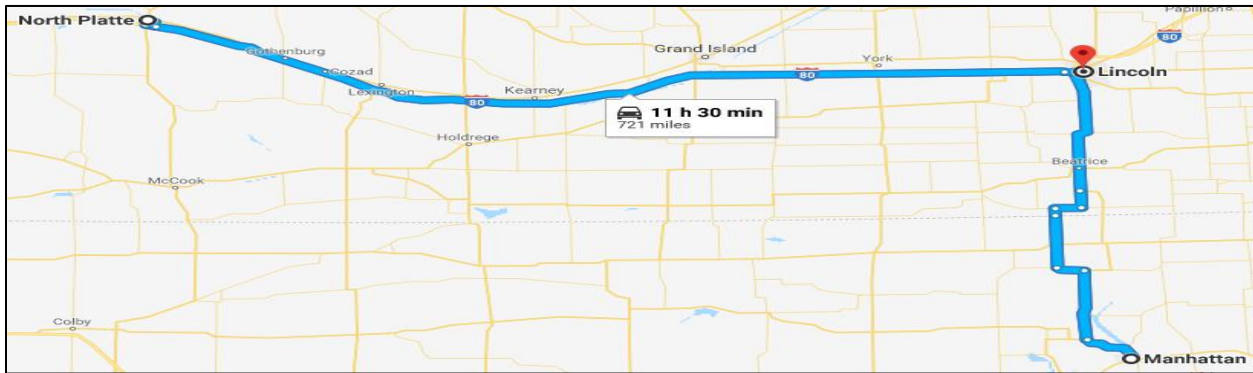
According to Google Maps, a round trip from Lincoln, NE, to Manhattan, KS, and a round trip from Lincoln, NE, to North Platte, NE, totals only about 721 miles – some 249 miles less than the total claimed by Mr. Fassett.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Questionable Director Travel** (Continued)

The following Google Map depicts the August 20-22, 2018, travel described by Mr. Fassett on the TSB travel log:



Source: Google Maps > Directions beginning in Lincoln, NE, to Manhattan, KS, and back to Lincoln, NE, and from Lincoln, NE, to North Platte, NE, and back to Lincoln, NE.

On March 19, 2019, Mr. Fassett responded to the APA's inquiry about this discrepancy with the following explanation:

Summary description of this travel is generally correct. This particularly long trip was as shown on my handwritten expense notes. I travelled to Manhattan, KS on the 20th to attend the annual meeting of the Republican River Compact Administration held on August 21st. At the conclusion of that meeting, I travelled to Lincoln, and then continued on to Grand Island, and had dinner and spent the night at the Fairfield Inn in Grand Island (direct billed to agency). Early in the morning of the August 22nd I drove to North Platte and attended a meeting of a group of representatives of several Upper Platte River Basin - Natural Resource Districts engaged with the agency in the development of the Upper Platte Basinwide Plan. This meeting was held at the offices of the Twin Platte Natural Resource District, located in North Platte, NE. I left this meeting around noon, and drove to Valentine, NE to attend and speak to a group of representatives of the Natural Resource Districts covering the Niobrara River basin, and others from G&P's and other organizations, whom were all meeting at the offices of the Middle Niobrara Natural Resource District in Valentine, NE. After speaking to this group, rather than stay in Valentine (room reservation was cancelled), I decided to return to Lincoln. However, I did not take the route shown on the map above, but rather from Valentine I travelled along Highway 20 to Norfolk, then south on Highway 81 to Columbus, and then via Highways 92 and 15 to Seward, where I had dinner and refueled, and then completed my return to Lincoln on I-80. None of these intermediate stops and details were included on the vehicle mileage log.

Reviewing Mr. Fassett's expense reimbursement request for these days, the APA noted that the travel on August 20, 2018, was to Manhattan, KS, for "RRCA – 2018 Annual Meeting, RRCA Workshop, and 3-States Meeting." The travel description for August 21, 2018, states, "Manhattan, KS to Grand Island, NE." For August 22, 2018, the travel description states, "Upper Platte Basinwide Plan 'Small Group Meeting', Grand Island, to North Platte, NE," and "Niobrara River Basin – NRD Managers Retreat and NRBA Meeting, Valentine, NE."

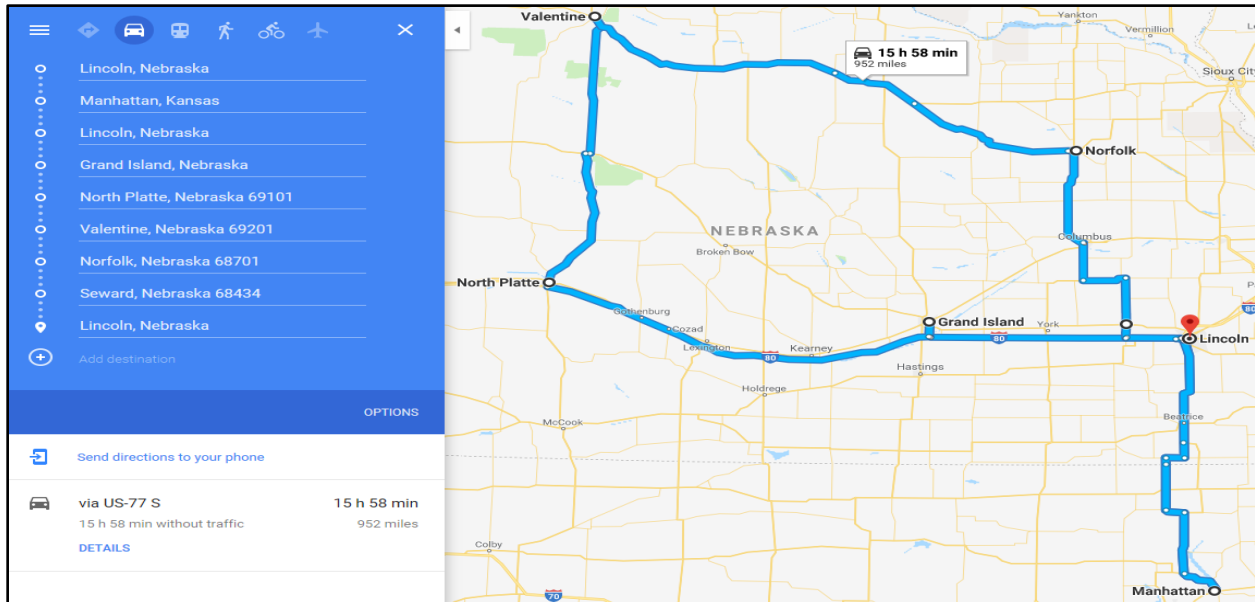
A Valentine, NE, destination was not recorded on the TSB travel log filled out by Mr. Fassett immediately upon his return.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS (Continued)

2. Questionable Director Travel (Continued)

Based upon both his own description of his travel and the State “Voyager” charge card receipts, the following Google Map depicts the actual routes apparently taken by Mr. Fassett:



Source: Google Maps > Directions as stated above.

The following is a copy of Mr. Fassett’s expense reimbursement request for this trip, which was submitted after filling out the TSB travel log:

TRANSPORTATION DOCUMENT NUMBER		LODGING NUMBER		DOCUMENT NUMBER		STATE OF NEBRASKA EXPENSE REIMBURSEMENT REQUEST							BATCH NUMBER 5360452		DOCUMENT NUMBER	
DATE		NAME OF PLACE AND NATURE OF SERVICE		TRAVEL TIMES		MEALS	LODGING	TRANSPORTATION			MISCELLANEOUS					
2018 month/day		Enter start and stop points for each trip State purpose of each trip		STARTED	STOPPED	Actual Amounts only	DB1, DB2, etc., if direct billed	RATE	MILES TRAVELED	AMOUNT	DESCRIPTION	AMOUNT	TOTAL			
8/20		RRCA - 2018 Annual Meeting, RRCA Workshop, and 3-States Meeting, Manhattan, KS		4:00 pm		B	18.16	DB 1	0.545	-	State Vehicle		-			
						L	19.04		0.545	-			-			
						D			0.545	-			19.04			
8/21		Manhattan, KS to Grand Island, NE				B		DB 1	0.545	-			-			
						L			0.545	-			-			
						D	11.48		0.545	-			11.48			
8/22		Upper Platte Basinwide Plan "Small Group Meeting", Grand Island, to North Platte, NE				B		DB 2	0.545	-			-			
						L			0.545	-			-			
						D			0.545	-			-			
8/22		Niobrara River Basin - NRD Managers Retreat and NRBA Meeting, Valentine, NE		8:30 pm		B			0.545	-			-			
						L	6.27		0.545	-			6.27			
						D	6.93		0.545	-			6.93			

Based on the mileage variance noted by the APA, as well as supported by the relevant documentation, Mr. Fassett appears to have entered false information on the TSB travel log. This issue gives rise to serious concerns regarding possible violations of some of the same departmental policies and State laws discussed at length in the first section of this comment (“Questionable Trip #1”) herein – namely, the following:

- Neb. Rev. Stat. § 28-924 (Reissue 2016), which creates the offense of “official misconduct” by a public servant.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Questionable Director Travel (Continued)

- Department of Natural Resources – Employee Workplace Policies, Chapter 8, “Use and Operation of Motor Vehicles,” Section (B)(8), “Logs,” which requires TSB vehicle logs to be filled out properly.
- Department of Administrative Services – Transportation Services Bureau Policies and Procedures, Section 7, “Official Travel Log,” which requires specific travel information to be recorded when using a State-owned vehicle.
- Neb. Rev. Stat. § 81-1025(1) (Reissue 2014), which requires the recording of detailed information relating to the use of a State-owned vehicle.
- Neb. Rev. Stat. § 28-911 (Reissue 2016), which prohibits the “abuse of public records.”

Questionable Trip #4

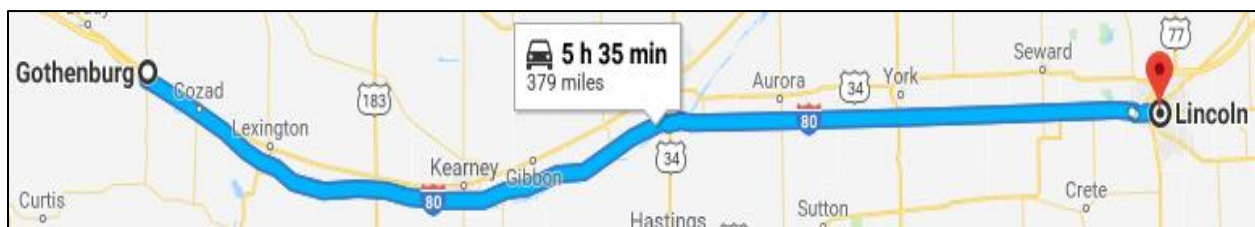
According to the following TSB travel log, completed and signed by the Director on November 8, 2017, he claimed to have driven 406 miles between November 6-8, 2017. That travel consisted of one round trip from Lincoln, NE, to Gothenburg, NE.

It is important to note that Mr. Fassett completed the travel log *immediately* upon returning the State vehicle to TSB on November 8, 2017, the same day that he concluded the second part of his excursion.

20802 78481		TRANSPORTATION SERVICES BUREAU								LINCOLN MOTOR POOL	
2017		OFFICIAL MOTOR POOL TRAVEL LOG								NOVEMBER 2017	
200 CHRYSLER		NOTE: An entry must be made each time the vehicle is driven (State Statute 81-1025)									
http://das.nebraska.gov/tsb/											
DAY OF MONTH	ODOMETER READING		MILES TRAVELED	TIME		DESTINATION		AG #	PURPOSE OF TRIP	DRIVER'S SIGNATURE	PARKING STALL #
	START	FINISH		START	FINISH	FROM	TO				
11/6	3976	—	—	12:30 AM	—	Lincoln	Gothenburg	—	Meetings	[Signature]	—
11/8	4402	406	406	—	12:00 AM	Gothenburg	Lincoln	29	11	[Signature]	3226

According to Google Maps, a round trip from Lincoln, NE, to Gothenburg, NE, totals about 379 miles.

The following Google Map depicts the November 6-8, 2017, travel described by Mr. Fassett on the TSB travel log:



Source: Google Maps > Directions beginning in Lincoln, NE, to Gothenburg, NE, and back to Lincoln, NE.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Questionable Director Travel** (Continued)

On March 19, 2019, Mr. Fassett responded to the APA's inquiry about this discrepancy with the following explanation:

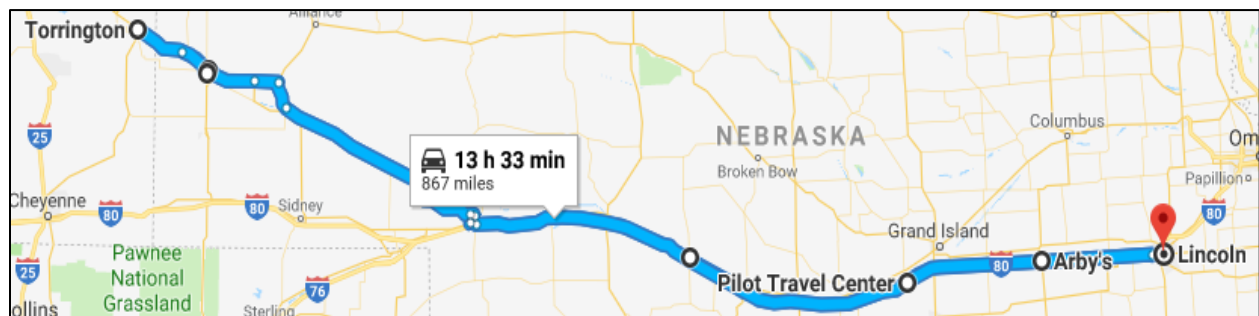
I traveled to Scottsbluff on November 6th in a state vehicle, which was parked at the Comfort Inn, in Gothenburg, NE. I then jumped in to another state car with a group of my staff also travelling from Lincoln to Scottsbluff for the same meetings. After arriving in Scottsbluff, I had dinner with my staff and then spent the night at the Hampton Inn in Scottsbluff (direct billed to agency). The group then traveled to Torrington, WY in the morning of November 7th to attend several 2017 fall meetings of; 1) the North Platte Decree Committee, which includes representatives of Nebraska (me), the State of Wyoming, and the USBR, and, 2) the 2017 annual meeting of the Upper Niobrara River Compact, between representatives of Wyoming and Nebraska. After this set of meetings were concluded, the larger group returned to Lincoln, but dropped me off in Gothenburg, NE that evening, where I spent the night at the Comfort Inn (direct billed to agency). On the morning of the November 7th I drove the state vehicle I had left overnight at the hotel, and drove south of Gothenburg to the Monsanto Research Center to attend a meeting of the Natural Resources Commission – scoring committee to review applications for funding from the Water Sustainability Fund. The Commission borrowed a conference room located at the Center, which is centrally located to accommodate the members of the Commission scattered across the State. At the completion of that committee meeting, I returned to Lincoln; which is why the mileage report matches the travel from Lincoln to Gothenburg and return; with a slight increase to reach the Monsanto Research Center.

Agendas associated with these meetings are attached for reference.

The APA reviewed Mr. Fassett's expense reimbursement for these days and noted the travel on November 6, 2017, was to Scottsbluff, NE, for "NPDC Fall Meeting." The description on November 7, 2017, states, "Scottsbluff to Torrington, WY." For November 8, 2017, "Torrington, WY to Gothenburg, NE to Lincoln, NE" is recorded as the travel, for the purpose of "Nat. Res. Comm. – Review/Scoring Committee Meeting re: WSF applications." This differs from Mr. Fassett's explanation, which indicates that he was dropped off in Gothenburg, NE, on November 7, 2017. The APA requested a copy of the Comfort Inn direct bill to the Department for November 7, 2017, as mentioned in Mr. Fassett's explanation. However, Mr. Fassett noted the following on March 25, 2019:

Please note that apparently we were not actually invoiced for my stay (nor the others whom were there) in Gothenburg at the Comfort Suites on 11-7-17. I have included the reservation slip.

Based upon both his own description of his travel and the State "Voyager" charge card receipts, the following Google Map depicts the actual routes apparently taken by Mr. Fassett:



Source: Google Maps > Directions beginning in Lincoln, NE, to Torrington, WY, and back to Lincoln, NE.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Questionable Director Travel (Continued)

The following is a copy of Mr. Fassett's expense reimbursement request for this trip, which was submitted after filling out the TSB travel log:

TRANSPORTATION DOCUMENT NUMBER		LODGING DOCUMENT NUMBER		STATE OF NEBRASKA EXPENSE REIMBURSEMENT REQUEST						BATCH NUMBER 505723		DOCUMENT NUMBER	
DATE	NAME OF PLACE AND NATURE OF SERVICE	TRAVEL TIMES		MEALS	LODGING	TRANSPORTATION			MISCELLANEOUS				
2017 month/day	Enter start and stop points for each trip State purpose of each trip	STARTED	STOPPED	Actual Amounts only	DB1, DB2, etc., if direct billed	RATE	MILES TRAVELED	AMOUNT	DESCRIPTION	AMOUNT	TOTAL		
11/2	Excellence in Leadership celebration lunch			B		0.540					-		
	Ryan Werner and spouse Karen			L	65.98	0.540		-			65.98		
				D		0.540		-			-		
11/6	Lincoln to Scottsbluff			B		0.540		-	State car		-		
	NPDC Fall meeting			L	8.68	0.540		-			8.68		
				D	34.73	0.540		-			34.73		
11/7	Scottsbluff to Torrington, WY			B	33.8	0.540		-			-		
				L	20.89	0.540		-			20.89		
				D	5.07	0.540		-			5.07		
11/8	Torrington, WY to Gothenburg, NE to Lincoln, NE			B		0.540		-			-		
	Nat. Res. Comm. - Review/Scoring Committee			L	1.69	0.540		-			1.69		
	Meeting re: WSF applications		1:30 pm	D		0.540		-			-		
				B		0.540		-			-		
				L		0.540		-			-		

The APA is not necessarily questioning that the Director drove to Gothenburg, NE, as reported on the TSB travel log, even though he did not fill out the expense reimbursement form completely, as required. However, the explanations received do not correlate with the dates on the form.

Based on the mileage variance noted by the APA, as well as supported by the relevant documentation, Mr. Fassett appears to have entered false information on his expense reimbursement form. This issue gives rise to serious concerns regarding possible violations of some of the same departmental policies and State laws discussed at length in the first section of this comment ("Questionable Trip #1") herein, namely the following:

- Neb. Rev. Stat. § 28-924 (Reissue 2016), which creates the offense of "official misconduct" by a public servant.
- Department of Natural Resources – Employee Workplace Policies, Chapter 8, "Use and Operation of Motor Vehicles," Section (B)(8), "Logs," which requires TSB vehicle logs to be filled out properly.
- Department of Administrative Services – Transportation Services Bureau Policies and Procedures, Section 7, "Official Travel Log," which requires specific travel information to be recorded when using a State-owned vehicle.
- Neb. Rev. Stat. § 81-1025(1) (Reissue 2014), which requires the recording of detailed information relating to the use of a State-owned vehicle.
- Neb. Rev. Stat. § 28-911 (Reissue 2016), which prohibits the "abuse of public records."

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Questionable Director Travel (Continued)

Questionable Trip #5

Per an expense reimbursement request submitted by Mr. Fassett, he reported "Personal time" for August 31, 2017, through September 2, 2017. Also, on that same form, Mr. Fassett reported "Personal return travel to Lincoln" for September 4, 2017.

The following is a copy of the expense reimbursement request submitted by Mr. Fassett:

TRANSPORTATION DOCUMENT NUMBER		LODGING DOCUMENT NUMBER		STATE OF NEBRASKA EXPENSE REIMBURSEMENT REQUEST										BATCH NUMBER 4982173		DOCUMENT NUMBER	
DATE	NAME OF PLACE AND NATURE OF SERVICE	TRAVEL TIMES		MEALS	LODGING	TRANSPORTATION			MISCELLANEOUS								
2017 month/day	Enter start and stop points for each trip State purpose of each trip	STARTED	STOPPED	Actual Amounts only	D81, D82, etc., if direct billed	RATE	MILES TRAVELED	AMOUNT	DESCRIPTION	AMOUNT	TOTAL						
8/26	Personal travel - Lincoln NE to Cheyenne WY			B		0.540											
				L		0.540											
				D		0.540											
8/27	Travel to Alaska via Denver, CO AWSE Conference	5:30 am		B	3.84	0.540	115	62.10	Personal car - Cheyenne to DIA		65.94						
				L	6.53	0.540			Baggage fee - AK Airlines	25.00	31.53						
				D		166.32			AWSE Conf fee	250.00	416.32						
8/28	Meetings - AWSE conference			B		0.540											
				L		0.540											
				D		166.32					166.32						
8/29	Meetings - AWSE conference			B		0.540											
				L		0.540											
				D	39.82	166.32					206.14						
8/30	Meetings - AWSE conference			B		0.540											
				L		0.540											
				D	32.20	166.32			Rental car - 4 days	18.93	217.45						
8/31 - 9/2	Personal time			B		0.540											
				L		0.540											
				D		0.540											
9/3	Return travel to Denver and Cheyenne			B	6.82	0.540	115	62.10	Personal car - Denver to Cheyenne		68.92						
				L		0.540			Baggage fee - AK Airlines	25.00	25.00						
			8:00 PM	D	16.03	0.540			Rental car - 4 days (1/2) Parking	52.34	68.37						
						0.540			Rental car - 4 days (1/2) Car	136.39	136.39						
9/4	Personal return travel to Lincoln					0.540											
						0.540											
DB: 1						105.24		665.28									
DB: 2								124.20									
DB: 3																	
						Business Unit			Object Code			Amount					
												507.66 1,402.38					

While reviewing Mr. Fassett's timesheets, the APA noted that he reported eight hours of work for August 31, 2017, as well as three hours of work and eight hours of holiday time for September 4, 2017. Both of these were dates for which Mr. Fassett had reported "Personal time" and "Personal return travel to Lincoln," respectively, on the expense reimbursement request referenced above.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Questionable Director Travel (Continued)

The following are copies of the two timesheets submitted by Mr. Fassett:

August 31, 2017 Timesheet (Conflicts with “Personal time” Claim)

Time sheet for jeff.fassett															
< Previous Period (/TimeReport/Home/GetUserPeriodInfo/2017/18/210)		Year: 2017				Period: 19				Next Period -> (/TimeReport/Home/Ge					
August															
	21	22	23	24	25	26	27	28	29	30	31	1	2	3	
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	
Vacation															0
Sick															0
Holiday															0
Department Management	8	12	9	8.5	8.5			8	8	8	8			8	86
Totals	8	12	9	8.5	8.5	0	0	8	8	8	8	0	0	8	86
First Week Total = 46															
Second Week Total = 40															

September 4, 2017 Timesheet (Conflicts with “Personal return travel to Lincoln” Claim)

Time sheet for jeff.fassett															
< Previous Period (/TimeReport/Home/GetUserPeriodInfo/2017/19/210)		Year: 2017				Period: 20				Next Period -> (/TimeReport/Home/Ge					
September															
	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	
Vacation															0
Sick															0
Holiday	8														8
Department Management	3	9	10.5	8.5	9		2	11	9	9	10	1		2	84
Totals	11	9	10.5	8.5	9	0	2	11	9	9	10	1	0	2	92
First Week Total = 50															
Second Week Total = 42															

On March 19, 2019, Mr. Fassett responded to the APA’s inquiry about this discrepancy with the following explanation:

The timesheet for the week of August 27 – Sept 3rd appears to include a simple error. As you can see on my handwritten notes regarding the expenses associated with this trip, my timesheet for Sunday August 27th should have shown 8 hours of work time, as the 27th was the business day for travel from Cheyenne to Alaska for annual meeting of the Association of Western State Engineers. Thursday August 31st was, as noted personal time and no work time on this day should have been recorded on my timesheet. The timesheet was correct for the week and pay period, but the wrong work and personal time days were transposed and incorrectly identified. Sunday September 3rd was properly recorded as a business day for my return travel from Alaska back to Cheyenne. I then returned from Cheyenne to Lincoln on September 4th, which was a State holiday. Upon return to Lincoln, I worked extra time on the 4th to catch up on office matters that occurred during my time away. I noted, but made no claim for any expenses for my personal travel from Lincoln to Cheyenne on the 26th and the return travel to Lincoln on September 4th.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Questionable Director Travel (Continued)

The Department of Natural Resources – Employee Workplace Policies, Chapter 5, “Attendance and Work Schedules,” Subsection “Telecommuting,” requires the following:

Employees must comply with all Department and State laws, rules and policies regarding the hours worked, leave requests, overtime, compensatory time and all items reported on their time sheet.

Apparent Overpayment of Personal Automobile Miles

The APA also observed that the Director was possibly overpaid hundreds of dollars for at least four trips for which he used a personal vehicle and requested mileage to be reimbursed. Per its current policy, the Department reimburses employees only at the TSB rate; however, the Director requested and was reimbursed at a higher Department of Administrative Services rate. This policy was proposed in early 2018, and the APA observed other Department employees utilized the TSB rate when requesting reimbursement.

The following is a summary of the requested amount compared to the TSB rate, per the Department’s current policy:

Amount Reimbursed				APA Calculated Amount Per Department Policy					
Date	Miles	Rate	Amount	Miles	Rate	Sub-Total	Daily Rate (\$16 Per Day)	Amount	Over-Payment
7/5-6/2017	293	0.535	\$ 156.76	293	0.28	\$ 82.04	\$ 32.00	\$114.04	\$ 42.72
1/25/2018	265.4	0.545	\$ 144.64	265.4	0.28	\$ 74.31	\$ 16.00	\$90.31	\$ 54.33
8/27-28/2018	410	0.545	\$ 223.45	410	0.28	\$ 114.80	\$ 32.00	\$146.80	\$ 76.65
9/23-24/2018	265	0.545	\$ 144.43	265	0.28	\$ 74.20	\$ 32.00	\$106.20	\$ 38.23
Total Overpayment									\$ 211.93

Note: The Department updated their policy in October 2018; however, these rates were agreed to internally prior to the official policy.

The Department of Natural Resources – Employee Workplace Policies, Chapter 8, “Use and Operation of Motor Vehicles,” Section (B)(12), “Use of Personal Automobiles versus State-owned Vehicles,” requires the following:

An employee shall use a state-owned vehicle for departmental business trips. The employee may, at their discretion, use their Personal Automobile, which will be reimbursed at the Transportation Services Bureau (TSB) rate for intermediate sedans in effect at that time (currently \$0.28/mile plus \$16.00/day).

Other Director Reimbursement Issues

In addition to the issues identified above, the APA noted a significant number of other irregularities that are problematic in light of both Department and other State policies. Those issues include the following: reimbursements for expenses that had no receipts; receipts that were not itemized; and reimbursements for taxes paid on hotel bills. The APA has summarized those issues, as follows:

- The Director requested and was reimbursed for three meals (\$9.26, \$6.82, and \$5.07) for which he did not provide a receipt.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Questionable Director Travel** (Continued)

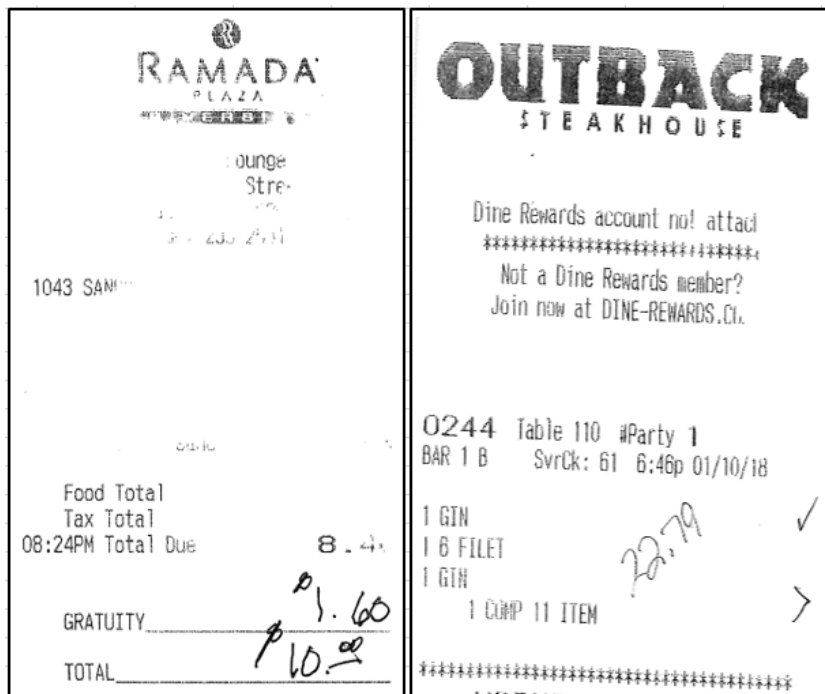
The Department of Natural Resources – Employee Workplace Policies, Chapter 6, “Office Procedures,” Subsection “Employee Expenses,” requires the following:

The Accounting section will be responsible for seeing that all expenses paid adhere to the requirements of the State Accounting Manual.

The Nebraska State Accounting Manual, Policies – AM-005, “Travel Policies,” Section 6, “Meals,” contains the following:

Agencies are responsible to see that all submitted claims for food/meals are adequately substantiated. Unsubstantiated food/meals should not be reimbursed. Receipts are required unless the cost of the food/meal is under \$5.00.

- The Director requested and received reimbursement for three meals (\$39.82, \$32.20, and \$24.23) for which he did not provide detailed itemized receipts. Additionally, other meal receipts provided by the Director were either illegible or lacked specific details. The APA has included two examples below:



The Nebraska State Accounting Manual, Policies – AM-005, “Travel Policies,” Section 8, “Receipts,” contains the following:

Detailed receipts are required as support for all expenditures except immaterial items identified by the Director of Administrative Services.

* * * *

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Questionable Director Travel** (Continued)

Detailed receipt is defined as a receipt that shows a listing of each item purchased and the related cost. Detailed receipt does not include the receipt copy that only identifies an amount is being charged to the employee's credit card.

- The Director requested and received reimbursement for two separate stays at Nebraska hotels. The combined costs of those hotel stays included \$17.20 in lodging taxes, which the Department is exempt from paying.

The Nebraska State Accounting Manual, Policies – AM-005, “Travel Policies,” Section 4, “Lodging,” contains the following:

Sales to the State of Nebraska and its agencies are exempt from Nebraska sales, use and lodging tax.

Finally, the Director incurred costs to the Department and the State of Nebraska based on his personal use of the State vehicle and overpayment of personal vehicle miles. The APA calculated over \$500 of such apparent abuse, as set out in the following table:

	Alleged Personal Miles	Rate	Sub-Total	Daily Rate	Meals	Total Alleged Abuse
Questionable Trip #1	587	\$ 0.28	\$ 164.36	\$ 16.00	\$ 13.99	\$ 194.35
Questionable Trip #2	288	\$ 0.28	\$ 80.64	\$ 32.00	\$ 0.00	\$ 112.64
Apparent Overpayment of Personal Miles						\$ 211.93
Total						\$ 518.92

Note: As noted in Questionable Trip #1, there were additional costs to the State including gas purchases of \$55.24.

Without procedures to ensure that State vehicles, personal automobiles, and State “Voyager” purchasing cards are used only for official purposes and as authorized, TSB travel logs are filled out with complete and correct information, hotels are direct billed when appropriate, meal receipts are maintained and detailed, and timesheets are accurate, there is an increased risk for not only misuse of public property but also noncompliance with both administrative policies and State law.

We recommend the Department implement procedures to ensure compliance with both administrative policies and related statutes prohibiting the personal use of State-owned motor vehicles, reimbursing the correct rate for personal automobile use, and disallowing unauthorized use of State “Voyager” purchasing cards, payment of Nebraska lodging taxes, and reimbursing for meals that included inadequate documentation. We also recommend those same procedures ensure TSB travel logs are filled out completely and with the correct information. We recommend such procedures include a review of personnel timesheets and meal expenses to ensure their accuracy. Finally, we recommend the Department work with the Director to recoup any costs to the State associated with both his personal use of a government vehicle and any overpayments or improper reimbursement payments made to him.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Questionable Director Travel** (Concluded)

Because “Questionable Trip #1” and “Questionable Trip #2” herein point to possible violations of State law, including the Nebraska Political Accountability and Disclosure Act, we are forwarding this information to both the Nebraska Attorney General and the Nebraska Accountability and Disclosure Commission for further review.

Department Response: The Department will evaluate and implement new or revised procedures and training as appropriate to ensure oversight and compliance with administrative policies and statutes governing travel, timesheets and related documentation across the entire agency, including the Director. The Director has reimbursed the State for the full amount identified by the APA as overpayments for travel expenses of \$708.26 on May 31, 2019.

3. **Revenue Issues**

The Nebraska Department of Natural Resources (Department) receives money for settlements, grants, well registrations, pesticide fees, dam and reservoir construction, and other water permits and applications. We noted the following issues during testing of these revenues.

Receipt Process

- Two employees opened the Department’s mail, but they did not create an initial listing of all money received. The money and correspondence was given to another individual to create such a listing. Then, instead of separating the money and correspondence, both were forwarded directly to the applicable departments. When an initial listing of monies received is not created by those who open the mail, or when that money is handled by many individuals, there is an increased risk for the loss of State funds.
- The initial listing of money received, which is created by the third individual, is an electronic spreadsheet for which only the two individuals who open the mail and the third individual responsible for creating the listing have full access to add/delete receipts. Once the initial listing is made, the money and accompanying correspondence are given to the program staff. Upon determining that an application received is not approved, the program staff have access to note on the electronic listing that the associated funds should be returned. Those funds are given back to the individuals who opened the mail and created the initial listing, who then send the money back to the applicant. Because all of the individuals involved in this process have access to note on the electronic listing whether the checks should be returned, there is an increased risk for errors.
- The preparer of the deposit document prints out the electronic listing of monies received to give to the approver of the deposit document. The approver compares the deposit document to the printed listing of monies received. However, there is nothing to prevent the preparer from altering the printed copy of the monies received listing.
- The Department lacks procedures for ensuring that all money due to the State has been received for permit applications for surface water, groundwater municipal and industrial transfers, and dam safety plan reviews or well registrations received via checks/cash. Without a process to ensure that all monies due are received, there is an increased risk for the possible loss of State funds.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Revenue Issues (Continued)

- Finally, the Department does not review the general ledger to ensure all deposits were recorded correctly to its various funds. Without such a review, there is an increased risk of deposits being allocated to the incorrect funds.

A good internal control plan requires procedure to ensure the following: 1) an initial receipt listing is created when the mail is opened; 2) the number of individuals who have access to the monies is limited; 3) checks are properly returned; 4) the approver of deposits reviews sufficient documentation; 5) all monies due to the Department are received; and 6) the general ledger is reviewed to confirm that deposits are correctly recorded to the Department's various funds.

Without such procedures, there is an increased risk for the loss or misappropriation of State monies.

We recommend that the Department implement procedures to ensure an initial receipt listing is created when the mail is opened. Those same procedures should ensure also that the number of individuals who have access to funds received is limited to decrease the possibility of loss. Additionally, such procedures should ensure appropriate documentation of returned checks and review of deposits. Furthermore, such procedures should ensure that all monies due to the Department are received. Finally, the procedures should ensure the general ledger is reviewed to confirm that deposits are correctly recorded to the Department's various funds.

Department Response: The Department will reevaluate and implement new or revised receipting procedures as are appropriate.

Dam Safety Revenue

Neb. Rev. Stat. § 46-1656 (Reissue 2010) creates the Dam Safety Cash Fund.

Neb. Rev. Stat. § 46-1655(5) (Reissue 2010) states, "Fees collected by the department under this section shall be remitted to the State Treasurer for credit to the Dam Safety Cash Fund."

Despite the clear directive in § 46-1655(5), the Department has failed to set up the Dam Safety Cash Fund in the State accounting system. Consequently, dam safety revenues have been deposited instead into the Department of Natural Resources Cash Fund. This alternate deposit activity is not authorized in State statute.

During the period July 1, 2017, through December 31, 2018, the Department received \$7,000 in dam safety fees, all of which were deposited improperly to the Department of Natural Resources Cash Fund.

Good internal controls require procedures to ensure that receipts are deposited as directed by State statute.

We recommend the Department set up the Dam Safety Cash Fund in the State's accounting system and deposit dam safety revenue to this fund, as directed by State statute.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Revenue Issues** (Continued)

Department Response: The Department will set up the Dam Safety Cash Fund and deposit dam safety revenues into that Fund.

Well Fee Split

The Department's well registration fees are set out at Neb. Rev. Stat. § 46-606 (Reissue 2010) and Neb. Rev. Stat. § 46-1224 (Cum Supp. 2018). Depending upon a variety of circumstances – such as whether groups of wells are involved or discounts are granted by the Department of Environmental Quality – those total fees generally range from \$70 to \$110.

Per § 46-606(6), fees collected under § 46-1224(3) are required to be credited to the Water Well Standards and Contractors' Licensing Fund under the Department of Health and Human Services. That same subsection directs fees charged under § 46-606 to be divided, as determined necessary by the Director of the Department to meet specific criteria, between the Department of Natural Resources Cash Fund and the Water Well Decommissioning Fund, as follows:

The director shall remit the fees collected to the State Treasurer for credit to the appropriate fund. From the registration fees required by subsections (1) through (5) of this section, the State Treasurer shall credit to the Department of Natural Resources Cash Fund the amount determined by the Department of Natural Resources to be necessary to pay for the costs of processing notices filed pursuant to section 46-230, the costs of water resources update notices required by section 76-2,124, and the costs for making corrections to water well registration data authorized by subsections (6) and (7) of section 46-602 and shall credit the remainder of the registration fees required by subsections (1) through (5) of this section to the Water Well Decommissioning Fund. The State Treasurer shall credit the fees required by subsection (3) of section 46-1224 to the Water Well Standards and Contractors' Licensing Fund.

The fees collected under § 46-606 may be as high as \$40 for each water well, and the Director has chosen to deposit \$18.50 of such amount to the Department of Natural Resources Cash Fund and \$21.50 to the Water Well Decommissioning Fund.

Good internal control requires procedures to ensure documentation is maintained for fee splits.

However, the Department lacks support for how that split was determined to ensure compliance with State statute.

We recommend the Department document how the split of registration fees was determined to ensure compliance with State statute.

Department Response: The Department will document the split for the well registration fees.

Pesticide Fees

The Department of Agriculture receives fees for pesticide product registrations and pesticide applicator licenses. Per Neb. Rev. Stat. § 2-2634(2)(c) (Cum. Supp. 2018), \$55 of such fees is to be deposited to the Natural Resources Water Quality Fund.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Revenue Issues (Continued)

Section 2-2634(2)(c) provides the following:

All fees collected under subsection (1) of this section shall be remitted to the State Treasurer for credit as follows:

* * * *

(c) Fifty-five dollars of such fee to the Natural Resources Water Quality Fund[.]

Regarding applicator licenses, \$25 for private applicators and \$90 for commercial applicators is also deposited to the Natural Resources Water Quality Fund per Neb. Rev. Stat. § 2-2641(4) (Cum. Supp. 2018) and Neb. Rev. Stat. § 2-2638(3) (Cum. Supp. 2018), respectively.

Section 2-2641(4) provides the following:

Application for an original or renewal private applicator license shall be made to the department and accompanied by a license fee of twenty-five dollars. All fees collected shall be remitted to the State Treasurer for credit to the Natural Resources Water Quality Fund.

Section 2-2638(3) says the following:

Application for an original or renewal commercial applicator license shall be made to the department on forms prescribed by the department. The application shall include information as required by the director and be accompanied by a license fee of ninety dollars. If the applicant is an individual, the application shall include the applicant's date of birth. The fee may be increased by the director by rules and regulations adopted and promulgated pursuant to the act. The fee shall not exceed one hundred fifty dollars per license. All fees collected shall be remitted to the State Treasurer for credit to the Natural Resources Water Quality Fund.

The Department of Agriculture receives and directly deposits the fees received under § 2-2634(2)(c), § 2-2641(4), and § 2-2638(3) into the Natural Resources Water Quality Fund, which is maintained by the Department. However, the Department lacks procedures for ensuring that those deposits are correct.

Additionally, when processing applicator licenses online, Nebraska.gov, the State of Nebraska's webpage, keeps a processing fee of \$3 for each commercial applicator license and \$2 for each private applicator license. Consequently, only \$87 of the statutorily mandated \$90 fee for commercial applicator licenses and \$23 of the statutorily mandated \$25 fee for the private applicator licenses is actually collected and deposited into the Natural Resources Water Quality Fund.

Neb. Rev. Stat. § 84-1205.02 (Reissue 2014) permits reasonable fees to be charged for electronic access to State information and services, as follows:

Except as provided in sections 49-509, 52-1316, and 60-483 and article 9, Uniform Commercial Code, the board may establish reasonable fees for electronic access to (1) public records or (2) electronic information and services, through the portal. Fees for electronic access to public records shall not exceed the statutory fee for copies of public records in other forms. Any fees collected under this section shall be deposited in the Records Management Cash Fund.

Though providing for the establishment of certain online access fees, the above statutory language does not authorize those fees to be subtracted from other statutorily mandated costs.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Revenue Issues** (Concluded)

Good internal control requires procedures to ensure that the Department receives all money due to it from receipts processed by the Department of Agriculture, and such receipts are collected and deposited in the amounts specified by State statute.

Without such procedures, there is an increased risk for not only the loss of public funds but also noncompliance with the law.

We recommend the Department establish procedures to ensure the Department receives all funds due to it from receipts processed by the Department of Agriculture. Additionally, we recommend the Department work with the Department of Agriculture and Nebraska.gov to ensure that such receipts are collected and deposited in the amounts specified by State statute.

Department Response: The Department does not have statutory authority for oversight of the Department of Agriculture. In the 2012 DNR Audit, the Department of Agriculture addressed other similar concerns that the APA raised at that time. The Department will initiate Director level contact between the agencies to work toward mutually agreeable procedures to ensure the Department receives all funds due and to ensure that receipts are collected and deposited in the amounts specified by State statute.

4. **Capital Asset Issues**

As of December 31, 2018, the Nebraska Department of Natural Resources (Department) had capital assets with a combined book value of \$944,737. During testing of these assets and related procedures, we noted the following:

- There was a lack of segregation of duties over the processing of capital assets in the accounting system. One individual was able to add assets to the capital asset listing, maintain all capital asset records, perform the annual inventory, and initiate asset disposals.
- No review of the Additions and Retirements Report or the capital asset integrity reports was performed on a regular basis to ensure that all assets were added correctly on EnterpriseOne, and all deletions had been removed.
- No documented review of any capital asset reports was performed by an independent person without capital asset access to ensure that the additions and retirements were correct.
- No documented secondary review of the Surplus Property Notification Form was performed to ensure that assets were properly surplus.
- Journal entries were not made to address items on the capital asset integrity reports.
- No inventory listing was made of significant assets, such as computer equipment, purchased under \$1,500.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Capital Asset Issues** (Continued)

- Seven assets were not tagged as “Property of the State of Nebraska.” The tags were placed instead on a piece of paper and kept in a binder.
- Fifty-two assets were retired/disposed during the period July 1, 2017, through December 31, 2018, per the Additions and Retirements Report. However, we noted the following:
 - Eleven of the assets, totaling \$75,980, were actually surplus prior to July 1, 2017, but were not removed from the Department’s capital asset listing in the State’s accounting system until the current period. The capital assets schedule in Footnote 5 of the report was adjusted for these 11 assets.
 - Twenty-three other assets lacked adequate documentation to support when the assets were actually retired/disposed. For one asset with an original cost of \$5,421, the Department indicated that the asset was surplus in 2003, but there was not adequate support for this. In October 2018, after the Department completed its annual inventory count, the 22 other assets were removed because they could not be located. According to the Department, the assets had been surplus in prior years, but there was not adequate support for that claim. All 23 assets had been fully depreciated. The capital assets schedule in Footnote 5 of the report was not adjusted for these 23 assets.

These errors likely occurred due to an inadequate review of the Additions and Retirements Report and inadequate procedures for ensuring the annual inventory count is correct.

Neb. Rev. Stat. § 81-1118.02 (Reissue 2014) states the following:

(1) Each executive, department, commission, or other state agency . . . shall annually make or cause to be made an inventory of all property, including furniture and equipment, belonging to the State of Nebraska and in the possession, custody, or control of any executive, department, commission, or other state agency. The inventory shall include property in the possession, custody, or control of each executive, department, commission, or other state agency as of June 30 and shall be completed and filed with the materiel administrator by August 31 of each year.

(2) If any of the property of the state, referred to in subsection (1) of this section, is lost, destroyed, or unaccounted for by the negligence or carelessness of the executive, department, commission, or other state agency, the administrator shall, with the advice of the Attorney General, take the proper steps to recover such state property or the reasonable value thereof from the executive, department, commission, or other state agency charged with the same and from the person bonding such executive, department, commission, or other state agency, if any.

(3) Each such executive, department, commission, or other state agency shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska. In the inventory required by subsection (1) of this section, each such executive, department, commission, or other state agency shall state positively that each item of such property has been so tagged, marked, or stamped.

A good internal control plan requires procedures to ensure an adequate segregation of duties, so no one individual is able both to perpetrate and to conceal errors or irregularities in the inventory process. Such procedures should also include both reviewing capital asset reports and ensuring a documented secondary review of these reports is performed by someone without accounting system access to maintain capital assets. Additionally, those procedures should ensure that items on the capital asset integrity reports are followed up on, tagged, and properly removed, and an annual inventory is adequately performed.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Capital Asset Issues (Concluded)

Without such procedures, there is an increased risk for not only the loss, theft, or misuse of State assets but also inaccurate capital asset reports and noncompliance with State statute.

We recommend the Department implement procedures to ensure an adequate segregation of duties over capital assets. This includes both reviewing all asset reports and implementing a secondary review of these reports. We also recommend the Department's procedures properly address items on the capital asset integrity reports, remove capital assets timely, track significant assets that are not capitalized, and ensure all assets are tagged "Property of the State of Nebraska."

Department Response: The Department will implement changes in the processing and reporting of Capital Assets.

5. Federal Receipts

The Nebraska Department of Natural Resources (Department) receives grant funds from the United States Department of Homeland Security. During testing of four of these receipts, we noted that two of them did not agree to what was recorded in the State's accounting system. Additionally, the Department did not reconcile the Federal funds to ensure receipts and expenditures were correct.

The first receipt, for \$43,496, was for a Cooperating Technical Partners grant in the Federal Water Resources Plan Fund. The reimbursement amount was for June through September 2017. The Department could not provide documentation to support that the amount requested was appropriate, and that amount could not be traced to specific expenditures. Additionally, the journal entry to move these funds from the General Fund, which is where they were originally recorded, to the Federal fund did not agree to the Federal receipts. Total receipts to the Federal Water Resources Plan Fund for the time period tested, totaled \$1,532,451.

The second receipt, for \$46,853, was a reimbursement for employee salaries and benefits during the period March 2018 to April 2018 for the 2017 Dam Safety Program. For part of that period, we noted that the Department used the hourly rates for the previous year to calculate the reimbursement, which resulted in the Department receiving less money than what should have been reimbursed. Total receipts to the Dam Safety Fund for the time period tested was \$379,596.

For these grants, the Department first charges allowable salaries and benefits to the General Fund. Then, once reimbursement has been received, the Department will perform a journal entry to move the salaries and benefits from the General Fund to the Federal Water Resources Plan Fund or Dam Safety Fund. However, the Department appears not to have been moving the expenditures to the Federal Water Resources Plan Fund or the Dam Safety Fund in a timely manner. As of December 31, 2018, the Water Resources Plan Fund had a balance of \$497,293, and the Dam Safety Fund had a balance of \$133,512. The Department did not reconcile these funds to ensure that the excess receipts were for allowable expenses that had not yet been properly recorded. We did note that salaries and benefits of \$208,326 during the period of April 30, 2018, to July 22, 2018, and August 20, 2018, to September 30, 2018, had not been charged to the Federal Water Resources Plan Fund until February 2019, or after the attestation period, which would reduce the fund balance to \$288,967.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Federal Receipts** (Concluded)

2 C.F.R. § 200.302(a) (January 1, 2017) provides the following:

Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Good internal control and sound accounting practice require procedures to reconcile the accounting system to Federal reimbursements to ensure amounts requested are accurate. These procedures also should ensure expenditures are adequately documented before being requested for reimbursement.

Without such procedures, there is an increased risk that funds will be received incorrectly or be spent for unallowable expenditures.

We recommend the Department implement procedures to ensure all Federal revenue reimbursements have traceable, adequately documented support for expenditures. We also recommend the Department reconcile Federal fund balances to ensure excess receipts were for actual expenditures of Federal grants.

Department Response: The Department has recently implemented new expense tracking procedures for a portion of the Federal funds, and will continue efforts to improve documentation. Reconciliation of federal fund balances is underway.

6. **Expenditure Issues**

During testing of 13 aid expenditures and 12 other expenditure documents for the Nebraska Department of Natural Resources (Department), we noted the following:

- The Soil and Water Conservation Program provides assistance to private landowners to implement soil and water conservation practices. Each year, the Department allocates available funds to the 23 Natural Resource Districts (NRDs). Per Title 262 of the Nebraska Administrative Code (NAC) Chapter 5-001, each NRD may set its own cost-share rates for eligible practices, and those rates must be submitted to the Department by February 1 of each year. However, the Department lacked procedures for ensuring that it received the NRDs' rates by the February 1 deadline. The APA requested the cost-share rates for each of the NRDs, which were to be submitted prior to the February 1, 2018, deadline; however, the Department had only one of the NRD's rates on file.

For three payments to landowners for the Soil and Water Conservation Program, the Department did not have the applicable NRD rates on file. The Department did obtain the NRD rates during fieldwork. However, for one of these three, the NRDs' rates did not agree to the rates used on the claim. In addition, on this same claim, not all of the expenses claimed were eligible costs. The total amount overspent on this claim was \$7,760.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Expenditure Issues (Continued)

- Funds available in the Natural Resources Water Quality Fund are distributed to the 23 NRDs twice a year. Per Title 263 NAC Chapter 2-002, the funds are to be distributed with 60% based on the following: the proportionate fertilizer sales within the districts during the preceding three calendar years; 20% equally distributed amount the 23 NRD's; and 20% based on the number of square miles in each NRD designated for ground water management for water quality purposes or a clean lakes watershed area.

We tested one distribution of \$625,000. The Department did not have adequate support for the 20% distribution based on the number of square miles in each NRD designated for ground water management for water quality purposes or a clean lakes watershed area.

- Three expenditures did not have adequate supporting documentation on file.
 - The rates for personnel on the invoice did not agree to the rates on the contract, resulting in an overpayment of \$5,638 for one payment.
 - For two payments of \$18,207 and \$15,570, the contractors sub-contracted with another entity, and there was no documentation on file to support \$1,782 in charges for hotels, meals, and car rental/taxi/bus fare by the first sub-contractor and no documentation at all for the \$9,678 in charges by the other sub-contractor.
- Four expenditures were not coded correctly in the State's accounting system.

Three were subrecipient payments from Federal funds but were recorded as aid in the State's accounting system, which would have an effect on the State's Schedule of Expenditures of Federal Awards. The three payments were for \$8,000, \$92,345, and \$14,771. In addition, the payment of \$14,771 was originally coded as an Operating Expense on September 14, 2017, but the journal entry to correct the coding was not made until October 29, 2018, almost one year later.

The fourth expenditure was coded as an Operating Expense, but it should have been coded as a Government Aid expense. That expenditure was for \$13,144.

Additionally, during other expenditure testing, we noted the following:

- Three expenditures, totaling \$739,476, were incorrectly classified as fiscal year 2019 obligations, but they should have been recorded as fiscal year 2018 obligations.
- A journal entry moved \$21,332 in expenditures from the General Fund to the Federal Drought Monitoring Fund. The journal entry was entered on July 12, 2017, for expenditures that occurred prior to June 30, 2017, and should have been recorded as a prior year journal entry transaction type in the State's accounting system but was not.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Expenditure Issues** (Concluded)

Title 262 NAC Chapter 5-001 states, in relevant part, the following:

The district may establish any cost-share rates for eligible projects and practices up to 75% of average unit cost. . . . Participating districts shall notify the Department by February 1 of each year of the cost-share rates to be utilized for reimbursement purposes during the next ensuing year.

Good internal controls require procedures to ensure that adequate supporting documentation is on file, and payments are coded correctly.

Without such procedures, there is an increased risk for both the loss or misuse of funds and inaccurate reports.

We recommend the Department implement procedures to ensure that the Department receives the NRD rates timely, the NRD rates agree to the rates actually used, and costs are eligible. Those same procedures should ensure also that adequate supporting documentation is obtained for all Department expenditures, and invoices received are accurate. Finally, the procedures should ensure that payments are coded correctly for financial statement presentation.

Department Response: The Department will implement procedures to ensure that NRD rates and supporting documentation for expenditures are available on a timely basis and that the payment of expenditures is accurate and coded properly for subsequent financial statement presentation.

7. **Employee Travel**

During testing of 10 travel expenditures for the Department of Natural Resources (Department), we noted the following:

- For two expenditures, all six mileage logs tested were completed incorrectly. The logs failed to record all the stops for each day, the purpose of the travel, start and stop times, destinations, and the odometer readings for all trips.

The following table details the vehicle information for those six incomplete mileage logs:

Month and Year	TSB License	Miles Billed for Month	Monthly Cost of Vehicle
June 2017	18685	2,180	\$ 967
June 2017	19587	900	\$ 613
June 2017	20782	1,955	\$ 1,184
October 2018	18685	2,113	\$ 613
October 2018	19587	991	\$ 623
October 2018	21702	2,330	\$ 1,010

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Employee Travel** (Continued)

- The mileage reimbursements were not reasonable for two expenditures.
 - The first reimbursement was for a round trip from the employee's office to a conference center, and mileage was exceeded by 29 miles and 45 miles. In addition, the employee received a \$16 personal vehicle daily per diem rate for the four days, which does not agree to the Department policy in effect at the time of the payment.
 - For the second expenditure, for one of three TSB mileage logs tested, the mileage could not be determined as reasonable. The APA calculated mileage based on the destinations from supporting documentation and, for three days, mileage was exceeded by 15, 30, and 33 miles.
- For two expenditures, the employee did not fill out the expense reimbursement form correctly, as not all of the start and stop points were noted, the purpose was not always identified, and the headquarter city and residence were not noted.
- For two expenditures tested, the expenses related to a conference/meeting hosted by the Department. However, there was no documented approval of the conference/meeting by the Director on file.

Additionally, during other expenditure testing, we noted that two purchases of \$93 and \$109 on the Department's purchase card for hotel rooms lacked supporting documentation.

Neb. Rev. Stat. § 81-1176(1) (Reissue 2014) states, in part, the following:

If a trip or trips included in a request for payment or reimbursement . . . are made by personal automobile or otherwise, only one mileage request shall be allowed for each mile actually and necessarily traveled in each calendar month by the most direct route

Additionally, Neb. Rev. Stat. § 81-1025(1) (Reissue 2014) provides the following:

Each operator of a bureau fleet vehicle shall report the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such vehicle, and the department to which such vehicle is assigned.

Neb. Rev. Stat. § 81-1174 (Reissue 2014) contains the following requirement for reimbursement requests:

Each request shall be fully itemized, including the amount, date, place, and essential character of the expense incurred.

Per the Nebraska State Accounting Manual, "Expense Reimbursement Document 'ERD' Guidelines," "The Headquarter City should be filled out."

Neb. Rev. Stat. § 81-1174 (Reissue 2014) contains the following:

When reimbursement is requested for mileage by automobile, air travel by commercial carrier, air travel in airplanes chartered by the department or agency, or air travel by personally rented airplane, the points between which such travel occurred, the times of arrival and departure, and the necessity and purpose of such travel shall be stated on such request. When reimbursement is requested for mileage by automobile, the motor vehicle license plate number, the total miles traveled, and the rate per mile being requested shall also be shown on each request.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Employee Travel** (Concluded)

The Nebraska State Accounting Manual, Policies – AM-005, “General Policies,” Section 22, “State Employee Expenses While Not In Travel Status,” states, in part, the following:

If meals, snacks or beverages are included in the payments by the agency, a list of State employees attending the conference, official function or hearing that were provided meals, snacks or beverages must be attached to the payment document. The agency must identify for each employee their headquarter city. The disbursement document description must state whether this is an official function, conference or hearing and the disbursement document shall be signed or approved online by the agency director.

A good internal control plan requires procedures to ensure that mileage recorded on travel logs and claimed for reimbursement is reviewed for reasonableness and accuracy. Those same procedures should also require that expense reimbursement documents are completed correctly, and adequate supporting documentation is on file.

Without such procedures, there is an increased risk for not only the misuse or loss of State funds but also unallowable expenses being paid. The risk of noncompliance with State statute and DAS policies is also increased.

We recommend the Department implement procedures to ensure mileage logs are completed correctly and reviewed. Those same procedures should ensure also that the Department reimburses only for allowable expenditures and the most direct route of travel. Finally, those procedures should ensure that expense reimbursements are completed correctly, and expenses claimed are adequately reviewed and approved before reimbursement.

Department Response: The Department will review and update current procedures, implement appropriate changes, and provide training to address employee travel reimbursements.

8. **Incorrect Transfer**

2018 Neb. Laws, LB 945, § 16, which went into effect on April 5, 2018, and is currently codified at Neb. Rev. Stat. § 61-224 (Reissue 2018), states the following:

The State Treasurer shall transfer three hundred eighty-four thousand two hundred twenty-two dollars plus any accrued interest through the effective date of this act, from the Critical Infrastructure Facilities Cash Fund to the General Fund on or before June 30, 2019, on such dates and in such amounts as directed by the budget administrator of the budget division of the Department of Administrative Services.

Per § 61-224, the Critical Infrastructure Facilities Cash Fund was created in 2016 for use by the Department of Natural Resources.

On July 13, 2018, \$504,680 was transferred from the Critical Infrastructure Facilities Cash Fund to the General Fund. This was the amount of accrued interest earned for the Critical Infrastructure Facilities Cash Fund as of April 5, 2018. However, per the APA’s analysis, the correct transfer amount should have been \$888,902, which would have included both the \$504,680 of accrued interest and the \$384,222 specified in the legislation.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

COMMENTS AND RECOMMENDATIONS

(Concluded)

8. **Incorrect Transfer** (Concluded)

Consequently, the fund transfer made by the Department was not in compliance with State law.

Good internal control requires procedures to ensure that fund transfers are completed as directed by statute.

We recommend the Department implement procedures to ensure that fund transfers are completed as directed by statute.

Department Response: The Department consulted with the Legislative Fiscal Office (LFO) and the DAS Budget Office prior to carrying out the transfer of interest income to the General Fund, which the Department feels is consistent with statute. The intention and language was to transfer all of the accrued interest on the Critical Infrastructure Facilities Cash Fund to the General Fund effective at the end of the fiscal year, or on about June 30, 2018; which totaled \$504,680.09. This total transfer amount included the \$384,222 of interest that had accrued to this fund at the time of the Governor's submittal of the transfer recommendation to the legislature, plus the additional interest accruals to the date of transfer, planned for June 30, 2018. This intention was captured in the Department's testimony and hearing before the Appropriations Committee on January 31, 2018. It appears under APA's interpretation there would have likely had to be a reduction to the amount of the authorized fund transfer to have completed a transfer of the amount (\$888,902) stated by APA. There was never any intent to reduce the amount of the initial Critical Infrastructure Facilities Cash Fund transfer. In addition, the total original fund amount placed under contract was consistent with the legislature's program authorization. The Department will continue to work with the LFO and DAS Budget Office when implementing budget and transfer statutes.

APA Response: Despite the Department's assertion that the transfer was made in conformity with underlying legislative intent, the APA continues to recommend adherence instead to the actual statutory language adopted by the Legislature – especially when such language is clear and unambiguous, as it is in the present case.



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NEBRASKA DEPARTMENT OF NATURAL RESOURCES

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Natural Resources
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Department of Natural Resources (Department) for the period July 1, 2017, through December 31, 2018. The Department's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the period July 1, 2017, through December 31, 2018, is based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning

the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and the finding, along with the views of management is described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'C. J. Janssen', with a long horizontal flourish extending to the right.

May 31, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2017, through December 31, 2018

	General Fund 10000	Water Resources Fund 22910	Water Sustainability Fund 22940	Critical Infrastructure Facilities Cash Fund 22950	Small Watersheds Flood Control Fund 25510	Nebraska Resources Development Fund 25520	Nebraska Soil & Water Conservation Fund 25530	Natural Resources Water Quality Fund 25540
REVENUES:								
Appropriations	\$ 23,512,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	6,600,000	-	-	-	-	-	-
Sales & Charges	100,986	-	-	-	-	-	-	-
Miscellaneous	24,096	4,295,331	876,081	236,743	17,615	37,888	33	9,553
TOTAL REVENUES	23,637,099	10,895,331	876,081	236,743	17,615	37,888	33	9,553
EXPENDITURES:								
Personal Services	10,663,209	-	183,750	-	-	-	-	-
Operating	4,191,252	136,680	15,189	-	-	-	-	-
Travel	362,478	-	75	-	-	-	-	-
Capital Outlay	63,717	-	-	-	-	-	-	-
Government Aid	8,231,361	4,759,057	14,397,530	404,386	-	773,851	-	1,460,000
TOTAL EXPENDITURES	23,512,017	4,895,737	14,596,544	404,386	-	773,851	-	1,460,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	125,082	5,999,594	(13,720,463)	(167,643)	17,615	(735,963)	33	(1,450,447)
OTHER FINANCING SOURCES (USES):								
Sales of Assets	1,227	-	-	-	-	-	-	-
Deposit to General Fund	(126,234)	-	-	-	-	-	-	-
Deposit to Common Fund	-	-	-	-	-	-	-	1,681,339
Operating Transfers In	-	3,300,000	9,170,000	-	-	-	-	-
Operating Transfers Out	-	(82,033)	-	(504,680)	(743,263)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(125,007)	3,217,967	9,170,000	(504,680)	(743,263)	-	-	1,681,339
Net Change in Fund Balances	75	9,217,561	(4,550,463)	(672,323)	(725,648)	(735,963)	33	230,892
FUND BALANCES, JULY 1, 2017	2,898	7,768,268	30,299,613	13,341,723	727,643	1,418,693	975	385,088
FUND BALANCES, DECEMBER 31, 2018	\$ 2,973	\$ 16,985,829	\$ 25,749,150	\$ 12,669,400	\$ 1,995	\$ 682,730	\$ 1,008	\$ 615,980
FUND BALANCES CONSIST OF:								
General Cash	\$ -	\$ 13,685,829	\$ 25,749,150	\$ 12,669,400	\$ 1,995	\$ 682,730	\$ 1,008	\$ 615,980
Deposits with Vendors	2,973	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	3,300,000	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 2,973	\$ 16,985,829	\$ 25,749,150	\$ 12,669,400	\$ 1,995	\$ 682,730	\$ 1,008	\$ 615,980

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2017, through December 31, 2018

	Water Well Decommissioning Fund 25550	Carbon Sequestration Assessment Fund 25560	Water Resources Trust Fund 25590	Department of Natural Resources Fund 26600	Dam Safety Fund 42910	Federal Drought Monitoring Fund 42921	Federal Water Resources Plan Fund 45520	Totals (Memorandum Only)
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,512,017
Intergovernmental	-	-	211	5,500	379,596	136,074	1,532,451	8,653,832
Sales & Charges	94,017	-	-	110,061	-	-	-	305,064
Miscellaneous	(96,765)	1	9,435	(8,126)	-	282	18,761	5,420,928
TOTAL REVENUES	(2,748)	1	9,646	107,435	379,596	136,356	1,551,212	37,891,841
EXPENDITURES:								
Personal Services	-	-	-	120,315	346,076	-	872,282	12,185,632
Operating	-	-	11,624	2,557	4,670	21,332	233,541	4,616,845
Travel	-	-	-	-	5,716	-	24,617	392,886
Capital Outlay	-	-	-	106,221	-	-	-	169,938
Government Aid	130,493	-	160,261	-	-	150,845	7,999	30,475,783
TOTAL EXPENDITURES	130,493	-	171,885	229,093	356,462	172,177	1,138,439	47,841,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	(133,241)	1	(162,239)	(121,658)	23,134	(35,821)	412,773	(9,949,243)
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	1,227
Deposit to General Fund	-	-	-	-	-	-	-	(126,234)
Deposit to Common Fund	-	-	-	-	-	-	-	1,681,339
Operating Transfers In	-	-	-	-	-	-	-	12,470,000
Operating Transfers Out	-	(374)	-	-	-	-	-	(1,330,350)
TOTAL OTHER FINANCING SOURCES (USES)	-	(374)	-	-	-	-	-	12,695,982
Net Change in Fund Balances	(133,241)	(373)	(162,239)	(121,658)	23,134	(35,821)	412,773	2,746,739
FUND BALANCES, JULY 1, 2017	180,878	373	338,173	284,446	110,378	36,103	84,520	54,979,772
FUND BALANCES, DECEMBER 31, 2018	\$ 47,637	\$ -	\$ 175,934	\$ 162,788	\$ 133,512	\$ 282	\$ 497,293	\$ 57,726,511
FUND BALANCES CONSIST OF:								
General Cash	\$ 47,637	\$ -	\$ 176,483	\$ 162,788	\$ 133,512	\$ 282	\$ 497,293	\$ 54,424,087
Deposits with Vendors	-	-	-	-	-	-	-	2,973
Accounts Receivable Invoiced	-	-	-	-	-	-	-	3,300,000
Due to Vendors	-	-	(549)	-	-	-	-	(549)
TOTAL FUND BALANCES	\$ 47,637	\$ -	\$ 175,934	\$ 162,788	\$ 133,512	\$ 282	\$ 497,293	\$ 57,726,511

(Concluded)

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

NOTES TO THE SCHEDULE

For the Period July 1, 2017, through December 31, 2018

1. Criteria

The accounting policies of the Nebraska Department of Natural Resources (Department) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of DAS include the following:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances (Schedule) was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Department to record all accounts receivable and related revenues in EnterpriseOne; as such, the Department's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of December 31, 2018, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2018, **does not** include amounts for goods and services received before December 31, 2018, which had not been posted to the general ledger as of December 31, 2018.

The Department had no accounts receivable not included in the Schedule at December 31, 2018. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Department:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Continued)

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

The following major revenue account classifications are established by State Accounting and used by the Department:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income. In addition, \$4,000,000 is included in Miscellaneous Revenue from a court settlement related to the Republican River Basin.

The following major expenditure account classifications are established by State Accounting and used by the Department:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Department.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the Department include the following:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors and receivable accounts. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. The financial schedule includes a large receivable for \$3,300,000 due to timing. The receivable was billed prior to December 31, 2018, but was not received until January 18, 2019. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance.

Other Financing Sources – Operating transfers, proceeds of fixed asset dispositions, deposits to general fund, and deposits to common fund.

2. Reporting Entity

The Department is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The schedule includes all funds of the Department included in the general ledger.

The Department is part of the primary government for the State of Nebraska.

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State’s Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Department takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition, and all computers.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

NOTES TO THE SCHEDULE

(Continued)

5. **Capital Assets** (Concluded)

For the CAFR, the State requires the Department to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially, all initial building costs, land, and land improvements are capitalized. Building improvements and renovations are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Buildings and Equipment are depreciated in the CAFR using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3 to 10 years

Capital asset activity of the Department recorded in the State Accounting System for the period July 1, 2017, through December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not depreciated				
Land	\$ 1,202	\$ -	\$ -	\$ 1,202
Total capital assets not depreciated	<u>\$ 1,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets depreciated				
Buildings	\$ 57,682	\$ -	\$ -	\$ 57,682
Equipment	2,513,040	132,284	156,747	2,488,577
Total capital assets depreciated	<u>\$ 2,570,722</u>	<u>\$ 132,284</u>	<u>\$ 156,747</u>	<u>2,546,259</u>

Less accumulated depreciation for:

Buildings	53,550
Equipment	1,549,174
Total	<u>1,602,724</u>

Total capital assets, net of depreciation	<u>\$ 944,737</u>
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NEBRASKA DEPARTMENT OF NATURAL RESOURCES

NOTES TO THE SCHEDULE

(Concluded)

6. Transfers

2017 Neb. Laws LB 331, § 5, required the State Treasurer to transfer \$3,300,000 from the General Fund to the Water Resources Cash Fund by June 30, 2018.

2018 Neb. Laws LB 945, § 28, required the State Treasurer to transfer \$9,170,000 from the General Fund to the Water Sustainability Fund by June 30, 2018.

7. Deposits to Common Fund

Neb. Rev. Stat. § 2-2638(3) (Cum. Supp. 2018) establishes a fee of \$90 for each original or renewal application for commercial pesticide applicator licenses, which is to be deposited in the Natural Resources Water Quality Fund.

Neb. Rev. Stat. § 2-2641(4) (Cum. Supp. 2018) establishes a fee of \$25 for each original or renewal application for private pesticide applicator licenses which is to be deposited in the Natural Resources Water Quality Fund.

Neb. Rev. Stat. § 2-2634(1) (Cum. Supp. 2018) establishes a fee of \$160 to register pesticides, of which \$55 is to be deposited in the Natural Resources Water Quality Fund.

All of these funds are collected by the Department of Agriculture and then deposited into the Natural Resources Water Quality Fund to be used by the Department. A total of \$1,681,339 was collected by the Department of Agriculture and deposited into the Natural Resources Water Quality fund during the period July 1, 2017, through December 31, 2018.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2017, through June 30, 2018

Exhibit A

	General Fund 10000	Water Resources Fund 22910	Water Sustainability Fund 22940	Critical Infrastructure Facilities Cash Fund 22950	Small Watersheds Flood Control Fund 25510	Nebraska Resources Development Fund 25520	Nebraska Soil & Water Conservation Fund 25530	Natural Resources Water Quality Fund 25540
REVENUES:								
Appropriations	\$ 17,221,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,300,000	-	-	-	-	-	-
Sales & Charges	52,361	-	-	-	-	-	-	-
Miscellaneous	25,987	175,427	553,572	236,743	15,620	28,242	21	7,064
TOTAL REVENUES	17,300,237	3,475,427	553,572	236,743	15,620	28,242	21	7,064
EXPENDITURES:								
Personal Services	6,935,911	-	121,307	-	-	-	-	-
Operating	3,011,832	11,930	1,947	-	-	-	-	-
Travel	229,311	-	75	-	-	-	-	-
Capital Outlay	45,463	-	-	-	-	-	-	-
Government Aid	6,999,372	3,144,897	9,342,955	404,386	-	644,645	-	1,020,000
TOTAL EXPENDITURES	17,221,889	3,156,827	9,466,284	404,386	-	644,645	-	1,020,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	78,348	318,600	(8,912,712)	(167,643)	15,620	(616,403)	21	(1,012,936)
OTHER FINANCING SOURCES (USES):								
Sales of Assets	1,227	-	-	-	-	-	-	-
Deposit to General Fund	(79,500)	-	-	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-	-	1,058,190
Operating Transfers In	-	3,300,000	9,170,000	-	-	-	-	-
Operating Transfers Out	-	(59,947)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(78,273)	3,240,053	9,170,000	-	-	-	-	1,058,190
Net Change in Fund Balances	75	3,558,653	257,288	(167,643)	15,620	(616,403)	21	45,254
FUND BALANCES, JULY 1, 2017	2,898	7,768,268	30,299,613	13,341,723	727,643	1,418,693	975	385,088
FUND BALANCES, JUNE 30, 2018	\$ 2,973	\$ 11,326,921	\$ 30,556,901	\$ 13,174,080	\$ 743,263	\$ 802,290	\$ 996	\$ 430,342
FUND BALANCES CONSIST OF:								
General Cash	\$ -	\$ 11,326,921	\$ 30,556,901	\$ 13,174,080	\$ 743,263	\$ 802,290	\$ 996	\$ 430,342
Deposits with Vendors	2,973	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 2,973	\$ 11,326,921	\$ 30,556,901	\$ 13,174,080	\$ 743,263	\$ 802,290	\$ 996	\$ 430,342

(Continued)

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2017, through June 30, 2018

Exhibit A

	Water Well Decommissioning Fund 25550	Carbon Sequestration Assessment Fund 25560	Water Resources Trust Fund 25590	Department of Natural Resources Fund 26600	Dam Safety Fund 42910	Federal Drought Monitoring Fund 42921	Federal Water Resources Plan Fund 45520	Totals (Memorandum Only)
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,221,889
Intergovernmental	-	-	-	5,500	258,336	92,345	926,552	4,582,733
Sales & Charges	60,584	-	-	79,544	-	-	-	192,489
Miscellaneous	(97,180)	1	6,367	(10,056)	-	113	15,000	956,921
TOTAL REVENUES	(36,596)	1	6,367	74,988	258,336	92,458	941,552	22,954,032
EXPENDITURES:								
Personal Services	-	-	-	80,124	239,249	-	694,751	8,071,342
Operating	-	-	5,387	2,557	2,900	36,103	210,668	3,283,324
Travel	-	-	-	-	4,408	-	22,320	256,114
Capital Outlay	-	-	-	106,221	-	-	-	151,684
Government Aid	105,170	-	123,907	-	-	92,345	-	21,877,677
TOTAL EXPENDITURES	105,170	-	129,294	188,902	246,557	128,448	927,739	33,640,141
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (141,766)	 1	 (122,927)	 (113,914)	 11,779	 (35,990)	 13,813	 (10,686,109)
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	1,227
Deposit to General Fund	-	-	-	-	-	-	-	(79,500)
Deposit to/from Common Fund	-	-	-	-	-	-	-	1,058,190
Operating Transfers In	-	-	-	-	-	-	-	12,470,000
Operating Transfers Out	-	(374)	-	-	-	-	-	(60,321)
TOTAL OTHER FINANCING SOURCES (USES)	-	(374)	-	-	-	-	-	13,389,596
 Net Change in Fund Balances	 (141,766)	 (373)	 (122,927)	 (113,914)	 11,779	 (35,990)	 13,813	 2,703,487
FUND BALANCES, JULY 1, 2017	180,878	373	338,173	284,446	110,378	36,103	84,520	54,979,772
FUND BALANCES, JUNE 30, 2018	\$ 39,112	\$ -	\$ 215,246	\$ 170,532	\$ 122,157	\$ 113	\$ 98,333	\$ 57,683,259
FUND BALANCES CONSIST OF:								
General Cash	\$ 39,112	\$ -	\$ 215,246	\$ 170,532	\$ 122,157	\$ 113	\$ 98,333	\$ 57,680,286
Deposits with Vendors	-	-	-	-	-	-	-	2,973
Accounts Receivable Invoiced	-	-	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 39,112	\$ -	\$ 215,246	\$ 170,532	\$ 122,157	\$ 113	\$ 98,333	\$ 57,683,259

(Concluded)

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2018, through December 31, 2018

Exhibit B

	General Fund 10000	Water Resources Fund 22910	Water Sustainability Fund 22940	Critical Infrastructure Facilities Cash Fund 22950	Small Watersheds Flood Control Fund 25510	Nebraska Resources Development Fund 25520	Nebraska Soil & Water Conservation Fund 25530	Natural Resources Water Quality Fund 25540
REVENUES:								
Appropriations	\$ 6,290,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,300,000	-	-	-	-	-	-
Sales & Charges	48,625	-	-	-	-	-	-	-
Miscellaneous	(1,891)	4,119,904	322,509	-	1,995	9,646	12	2,489
TOTAL REVENUES	6,336,862	7,419,904	322,509	-	1,995	9,646	12	2,489
EXPENDITURES:								
Personal Services	3,727,298	-	62,443	-	-	-	-	-
Operating	1,179,420	124,750	13,242	-	-	-	-	-
Travel	133,167	-	-	-	-	-	-	-
Capital Outlay	18,254	-	-	-	-	-	-	-
Government Aid	1,231,989	1,614,160	5,054,575	-	-	129,206	-	440,000
TOTAL EXPENDITURES	6,290,128	1,738,910	5,130,260	-	-	129,206	-	440,000
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 46,734	 5,680,994	 (4,807,751)	 -	 1,995	 (119,560)	 12	 (437,511)
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	(46,734)	-	-	-	-	-	-	-
Deposit to/from Common Fund	-	-	-	-	-	-	-	623,149
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	(22,086)	-	(504,680)	(743,263)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(46,734)	(22,086)	-	(504,680)	(743,263)	-	-	623,149
 Net Change in Fund Balances	 -	 5,658,908	 (4,807,751)	 (504,680)	 (741,268)	 (119,560)	 12	 185,638
FUND BALANCES, JULY 1, 2018	2,973	11,326,921	30,556,901	13,174,080	743,263	802,290	996	430,342
FUND BALANCES, DECEMBER 31, 2018	\$ 2,973	\$ 16,985,829	\$ 25,749,150	\$ 12,669,400	\$ 1,995	\$ 682,730	\$ 1,008	\$ 615,980
FUND BALANCES CONSIST OF:								
General Cash	\$ -	\$ 13,685,829	\$ 25,749,150	\$ 12,669,400	\$ 1,995	\$ 682,730	\$ 1,008	\$ 615,980
Deposits with Vendors	2,973	-	-	-	-	-	-	-
Accounts Receivable Invoiced	-	3,300,000	-	-	-	-	-	-
Due to Vendors	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 2,973	\$ 16,985,829	\$ 25,749,150	\$ 12,669,400	\$ 1,995	\$ 682,730	\$ 1,008	\$ 615,980

(Continued)

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period July 1, 2018, through December 31, 2018

Exhibit B

	Water Well Decommissioning Fund 25550	Carbon Sequestration Assessment Fund 25560	Water Resources Trust Fund 25590	Department of Natural Resources Fund 26600	Dam Safety Fund 42910	Federal Drought Monitoring Fund 42921	Federal Water Resources Plan Fund 45520	Totals (Memorandum Only)
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,290,128
Intergovernmental	-	-	211	-	121,260	43,729	605,899	4,071,099
Sales & Charges	33,433	-	-	30,517	-	-	-	112,575
Miscellaneous	415	-	3,068	1,930	-	169	3,761	4,464,007
TOTAL REVENUES	33,848	-	3,279	32,447	121,260	43,898	609,660	14,937,809
EXPENDITURES:								
Personal Services	-	-	-	40,191	106,827	-	177,531	4,114,290
Operating	-	-	6,237	-	1,770	(14,771)	22,873	1,333,521
Travel	-	-	-	-	1,308	-	2,297	136,772
Capital Outlay	-	-	-	-	-	-	-	18,254
Government Aid	25,323	-	36,354	-	-	58,500	7,999	8,598,106
TOTAL EXPENDITURES	25,323	-	42,591	40,191	109,905	43,729	210,700	14,200,943
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,525	-	(39,312)	(7,744)	11,355	169	398,960	736,866
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-	(46,734)
Deposit to/from Common Fund	-	-	-	-	-	-	-	623,149
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	(1,270,029)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	(693,614)
Net Change in Fund Balances	8,525	-	(39,312)	(7,744)	11,355	169	398,960	43,252
FUND BALANCES, JULY 1, 2018	39,112	-	215,246	170,532	122,157	113	98,333	57,683,259
FUND BALANCES, DECEMBER 31, 2018	\$ 47,637	\$ -	\$ 175,934	\$ 162,788	\$ 133,512	\$ 282	\$ 497,293	\$ 57,726,511
FUND BALANCES CONSIST OF:								
General Cash	\$ 47,637	\$ -	\$ 176,483	\$ 162,788	\$ 133,512	\$ 282	\$ 497,293	\$ 54,424,087
Deposits with Vendors	-	-	-	-	-	-	-	2,973
Accounts Receivable Invoiced	-	-	-	-	-	-	-	3,300,000
Due to Vendors	-	-	(549)	-	-	-	-	(549)
TOTAL FUND BALANCES	\$ 47,637	\$ -	\$ 175,934	\$ 162,788	\$ 133,512	\$ 282	\$ 497,293	\$ 57,726,511

(Concluded)

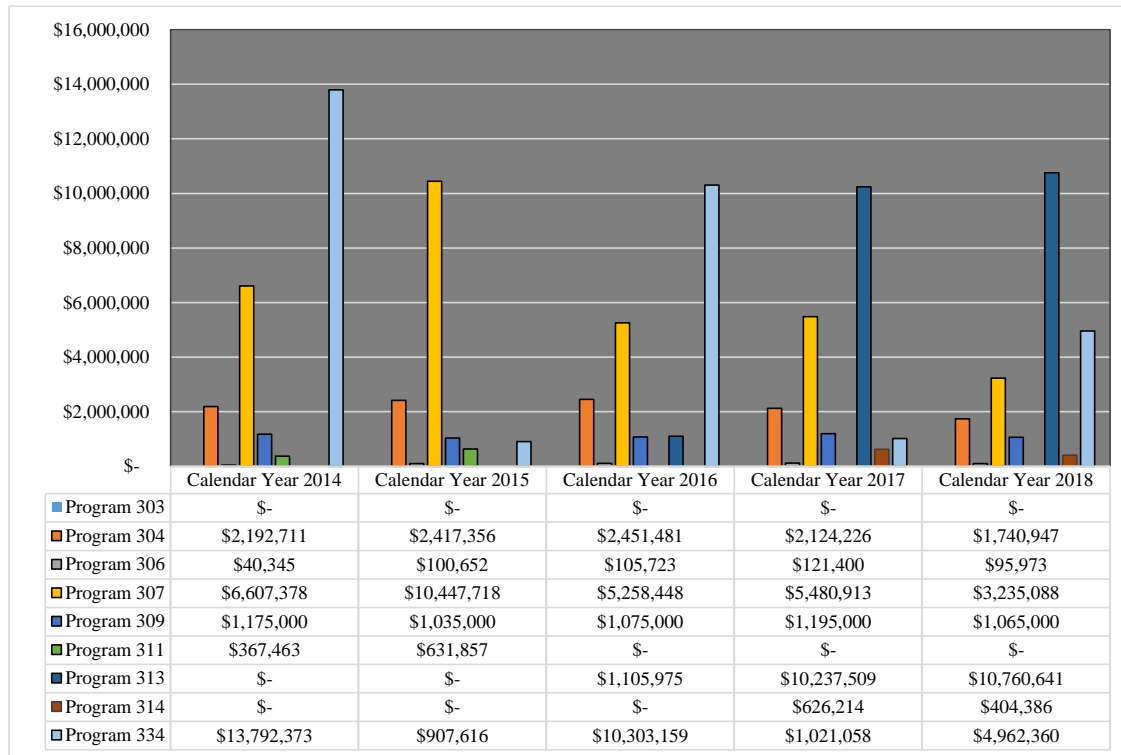
NEBRASKA DEPARTMENT OF NATURAL RESOURCES

Exhibit C

DIRECT AID PAYMENTS

Calendar Years 2014, 2015, 2016, 2017, and 2018

(Unaudited)



Program 303 - To provide financial assistance to local units of government in the procurement of lands, easements, and rights-of-way that are needed for construction of approved flood control projects; to assist in accelerating the watershed planning process; and to assist sponsors in all aspects of land rights acquisition and land management.

Program 304 - To promote efforts by landowners to better manage and conserve the State's natural resources and to provide financial assistance to private landowners to help offset the costs of implementing soil and water conservation practices.

Program 306 - To provide funds for decommissioning wells in order to prevent contaminants from entering the groundwater. The Natural Resources Districts implement qualified well decommissioning programs.

Program 307 - To provide funding assistance for the construction of water conservation and development projects in Nebraska.

Program 309 - To help offset costs incurred by Natural Resource Districts in their efforts to implement and manage water-quality measures.

Program 311 - To provide funding assistance to Natural Resources Districts for duties arising under the Nebraska Groundwater Management and Protection Act.

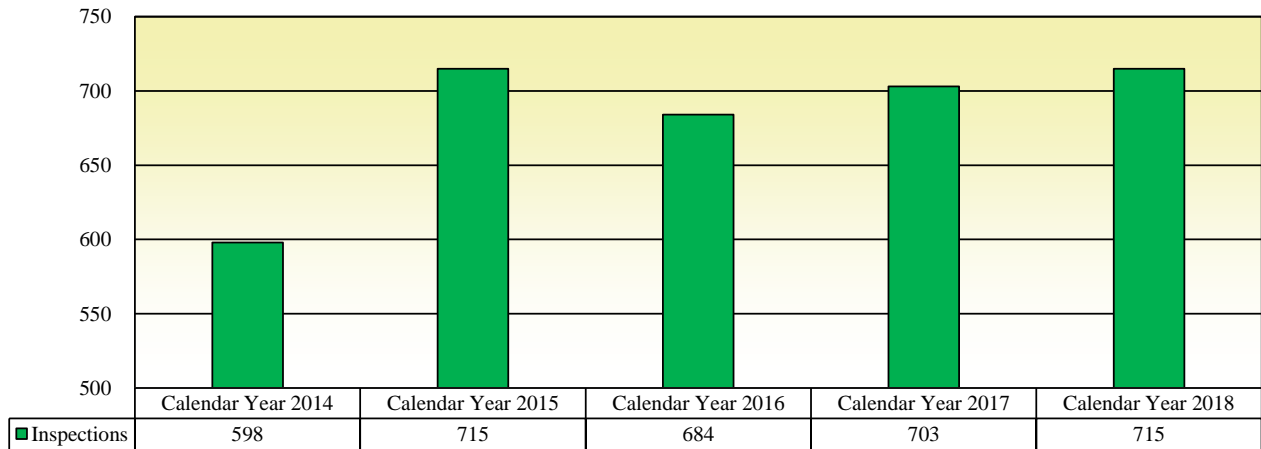
Program 313 - To increase aquifer recharge, reduce aquifer depletion, and increase streamflow; remediating or mitigating threats to drinking water; promote the goals of integrated and ground water management plans; contribute to flood control, reduce threats to property damage, agricultural uses, municipal and industrial uses, recreational benefits, wildlife habitat, conservation, and preservation of water resources; assist municipalities with the cost of constructing, upgrading, developing, and replacing sewer infrastructure facilities; and provide increased water productivity and enhance water quality.

Program 314 - To meet the projected financial need of protecting and enhancing critical infrastructure facilities.

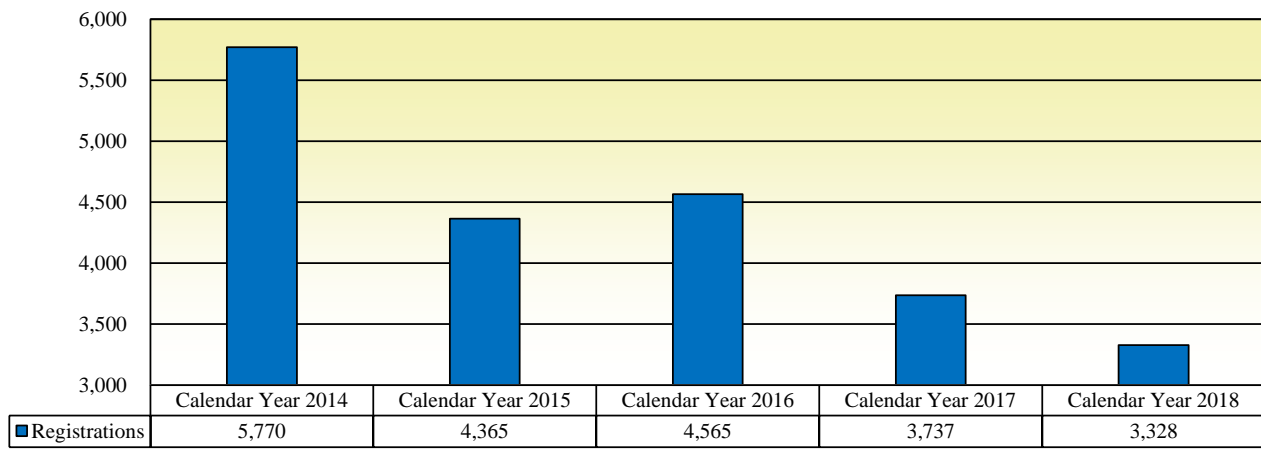
Program 334 - To administer and enforce regulations and policies affecting the use of Nebraska's water and soil resources; to provide resources and to work with committed stakeholders to find a sustainable balance among competing demands for water resources; and to provide Nebraska's leaders and citizens with the information and analysis needed to make wise resource decisions.

NEBRASKA DEPARTMENT OF NATURAL RESOURCES
CALENDAR YEARS 2014, 2015, 2016, 2017, AND 2018
(Unaudited)

Dam Inspections - Exhibit D



Well Registrations - Exhibit E



Surface Water Applications - Exhibit F

