NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

December 19, 2019

James Douglas, Director
Nebraska Game and Parks Commission
2200 N. 33rd Street
Lincoln, Nebraska 68503

Dear Mr. Douglas:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we have issued our report thereon dated December 19, 2019. In planning and performing our audit, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the State, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the Nebraska Game and Parks Commission (Agency) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of Agency management, are intended to improve internal control or result in other operating efficiencies.

Our consideration of internal control included a review of prior year comments and recommendations. To the extent the situations that prompted the recommendations in the prior year still exist, they have been incorporated in the comments presented for the current year. All other prior year comments and recommendations (if applicable) have been satisfactorily resolved.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Draft copies of this letter were furnished to the Agency to provide 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 letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The following are our comments and recommendations for the year ended June 30, 2019.

1. Capital Asset Issues

The Agency did not record all of its Construction in Progress (CIP) activity in the account code established to identify CIP in the State's Accounting System (account 587500). Instead, the Agency generated a worksheet of its CIP for the fiscal year ended June 30, 2019, for the Comprehensive Annual Financial Report (CAFR), from a separate system used to track project budgets and expenditures to date. The Auditor of Public Accounts' (APA) review of the worksheet identified one asset that was not State-owned property and, therefore, should not have been included in CIP for the CAFR. After further review, the Agency agreed and determined that additional expenditures had been included that should not have been reported as CIP. CIP was overstated by $3,395,148 and adjusted accordingly for financial reporting in the CAFR.

Furthermore, during testing of capital assets added during fiscal year 2019, we noted the following issues:

- A building completed construction on May 5, 2018; however, the asset costs were not entered into the State's accounting system until February 12, 2019, causing depreciation to be understated by $3,773.

- An equipment purchase, totaling $199,000, was erroneously entered into the State's accounting system twice, causing an overstatement in equipment of $199,000 and an overstatement of depreciation of $14,884.

A good internal control plan requires procedures to ensure that transactions are recorded properly in the State's accounting system for the compilation of the CAFR financial statements.

Without such procedures, there is an increased risk of material misstatement of the financial statements and related footnote disclosures.

> We recommend the Agency implement procedures to ensure all CIP expenses are accurately accounted for, and assets are entered accurately and timely in the State's accounting system.

Agency Response: The building in question was funded with Bureau of Reclamation (BOR) federal funds, and constructed on BOR property, for which Game and Parks has a management agreement in place. Discussion with BOR on the interpretation of ownership began in December 2018. Even though no definitive response had been received, it was felt the building needed to be documented in some manner, *and so a cost was posted to the asset in February. We will continue to work with State Accounting on the possibility of adjusting the depreciate start date to the construction completion date. For the equipment asset in question, the cost posted two times to the Cost Summary in the State's accounting system. As of September 5, 2019, the cost was corrected in the AA ledger. At last check, State Accounting had not yet adjusted the Depreciation information for the asset. We will continue to work with State Accounting to verify this is completed.*

2. <u>Voyager Card Issues</u>

For the purchase of fuel, service, maintenance and repair of its vehicles and equipment, the State of Nebraska (State) uses Voyager Fleet Systems Inc. (Voyager) cards, which are essentially credit cards issued through US Bank. The Voyager cards are used for electronic purchases at Nebraska Department of Transportation gas pumps and hundreds of participating commercial vendors in Nebraska. The Voyager card can also be used in surrounding states.

We ran a report of all Voyager card transactions for the fiscal year ended June 30, 2019, and noted the following issues for the Agency:

- Nearly all of the Voyager cards are assigned to a vehicle, a piece of equipment, or a State shop. Voyager cards assigned to a specific vehicle usually require the State employee to enter a vehicle identification number and the odometer reading of the vehicle before the card can be used. This is used as a monitoring tool to ensure the fuel purchased is for the proper vehicle. The Agency made 1,065 fuel purchases, totaling $49,018, without the odometer of the vehicle being entered at the time of purchase.

- Additionally, Neb. Rev. Stat. § 81-1019(1) (Reissue 2014), states, "Any person using a bureau fleet vehicle shall, whenever possible, obtain fuel from state-owned facilities." The Department of Administrative Services (DAS) – Transportation Services Bureau (TSB) "Policies and Procedures," Section 8, *Fuel*, also requires fuel purchases in Lincoln, NE, to be made from State-owned facilities, instead of commercial vendors. The State purchases bulk fuel at a reduced price; therefore, fuel purchased at State-owned facilities reduces costs incurred by agencies. Contrary to both State statute and TSB policy, 1,531 fuel purchases, totaling $70,895, made for bureau fleet vehicles in the City of Lincoln were not from State-owned facilities.

- We selected one Voyager card transaction for glass repair, totaling $551, for a vehicle owned by the Agency. According to DAS – TSB "Policies and Procedures," Section 9, *Voyager Fuel Cards*, glass repairs should not be paid with a Voyager card.

A similar finding was noted during the previous audit.

Good internal controls require procedures to ensure that vehicle odometer readings are tracked when making fuel purchases with Voyager cards, and fuel is purchased from State-owned facilities in Lincoln, NE, as well as from such facilities whenever possible elsewhere. Those same procedures should ensure also that all Voyager card purchases are authorized by either State statute or administrative policy.

Without such procedures, there is an increased risk for not only the misuse of public funds and resources but also noncompliance with State statute and/or administrative policies.

> We recommend the Agency establish procedures to ensure compliance with State statute and/or administrative policies requiring the tracking of odometer readings when purchasing fuel with Voyager cards and purchasing fuel at State-owned facilities in Lincoln, NE, as well as from such facilities whenever possible elsewhere. Those same procedures should ensure also that all Voyager card purchases are authorized by either State statute or administrative policy.

Agency Response: The Commission has Voyager cards assigned to vehicles, equipment or a State Shop. Only the cards assigned to vehicles require the odometer reading be entered at time of fuel purchase. Once filtering out Shop card purchases, only 19 fuel purchases were made, worth less than $1000, without an odometer reading. These entries consisted of 10 different vehicle Voyager cards, which were programmed incorrectly and did not ask for mileage at the time of fuel purchase. Nine of these cards were replaced since August 2019, one vehicle has since been sent to surplus. We will review the Voyager system to determine if there is a better way to differentiate shop cards from vehicle cards. The Commission does not lease or rent vehicles from the Transportation Service Bureau (TSB), and as such, does not always follow the TSB policies, but tries to maintain the intent. The location of our Lincoln office, related to other state owned facilities in and around Lincoln along with the various travel schedules make use of commercial fuel facilities more convenient and efficient. Our experience over the years with our own bulk fuel at our Apple/Y street operations shop have also shown that commercial fuel is not always more expensive. So the observation that some vehicles are being filled up in Lincoln at commercial pumps is neither surprising nor against our operational guidelines. Agency policies will be reviewed and determine if changes are needed. The Commission, in keeping with a 'fleet management' concept, tries to utilize Voyager cards as a tool for tracking use and repairs to vehicles by recommending staff use the voyager card whenever possible to pay for vehicle parts and repairs. Agency policies will be reviewed and determine if changes are needed.

APA Response: According to Agency staff they had no specific policies or procedures specific to Voyager Card transactions. Therefore, the Agency should either establish Agency specific policies or ensure compliance with TSB policies for use of the voyager cards for fuel purchases and vehicle repairs.

* * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Agency and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Agency.

This communication is intended solely for the information and use of management, the Governor and State Legislature, others within the Agency, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not intended to be, and should not be, used by anyone other than the specified parties. However, this communication is a matter of public record, and its distribution is not limited.

Pat Reding

Pat Reding, CPA, CFE
Assistant Deputy Auditor