



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 30, 2023

Tim McCoy, Director
Nebraska Game & Parks Commission
2200 N. 33rd St.
Lincoln, Nebraska 68503

Dear Mr. McCoy:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund (except the Enterprise Fund – Unemployment Insurance), and the aggregate remaining fund information of the State of Nebraska (State), and we were engaged to audit the business-type activities and the Enterprise Fund – Unemployment Insurance, as of and for the year ended June 30, 2022, 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, and we have issued our report thereon dated January 30, 2023. In connection with our engagement to audit the financial statements, 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, 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 engagement to audit the financial statements as described above, we noted a certain internal control or compliance matter related to the activities of the Nebraska Game & Parks Commission (Commission) or other operational matter that is presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Commission's management, is intended to improve internal control or result in other operating efficiencies.

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 a 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 or significant deficiencies may exist that have not been identified.

Draft copies of this letter were furnished to the Commission to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this letter. The response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2022.

Error in Financial Information

The Department of Administrative Services (DAS), State Accounting Division (State Accounting), prepares the State of Nebraska Annual Comprehensive Financial Report (ACFR) and requires all State agencies to determine and report payables, receivables, and other financial information not contained within the State's accounting system at the end of the fiscal year.

The Commission performs the accounting duties for the Nebraska Environmental Trust (Trust) and failed to report a \$3.3 million payment from the Trust to the Nebraska Department of Natural Resources as fiscal year 2022 activity. The first \$3.3 million payment for the grant was made in May 2021 – for fiscal year 2021. The payment for \$6.6 million was made on September 16, 2022, with an invoice date of July 2021. The invoice stated that it was for two years, which resulted in \$3.3 million being attributable to fiscal year 2022 and \$3.3 million to fiscal year 2023.

The Auditor of Public Accounts proposed an adjustment of \$3.3 million, which DAS posted, to include both the expense for the Trust and the receipt for the Nebraska Department of Natural Resources properly in fiscal year 2022.

A good internal control plan requires agencies to have adequate procedures for the reporting of accurate and complete information to DAS. Without such procedures, there is an increased risk of material misstatement of the financial statements.

We recommend the Commission implement procedures to ensure the accuracy of amounts reported to State Accounting for inclusion in the ACFR.

Commission Response:

The commission submitted the ACFR accurately as of the 8/17/22 due date. According to Karl Elmshaeuser, Executive Director of NET:

“The funding referenced is subject to Nebraska State Statute 81-15,175(4) and is not guaranteed funding, nor is it subject to a specific timeline for disbursement. The Nebraska Department of Natural Resources (DNR) applied for a grant of \$9,900,000 from the Nebraska Environmental Trust (NET). On April 8, 2021, an award of \$3,300,000 was provided to DNR with a statement of intent of \$3,300,000 for 2022 and \$3,300,000 for 2023. Statements of intent do not ensure that the next year of funding is guaranteed.

On August 25, 2022, the NET signed a grant contract with DNR for the remaining balance of \$6,600,00 from the original application. On August 26, 2022, the NET Grants Administrator emailed the DNR representative to notify them that the grant contract had been signed by both parties and that DNR could initiate a request for the remaining funding in the amount of \$6,600,000, (as approved by the NET Board).

The DNR representative initiated a Disbursement Request and listed the invoiced date as the date that DNR submitted the 1st year funding Disbursement Request to NET (July 2021). This is not the approval date, nor the awarded date, nor the contract date. The State of Nebraska IBT date that was provided to the auditor clearly shows an invoice date of 09/09/22.”

APA Response: We understand the award of the grant did not guarantee funding for each year. However, as noted in the Commission response, the intent of the funding was for \$3.3 million in 2022 and \$3.3 million in 2023. When those grant funds were actually received in September 2022, they should have been applied to those intended fiscal years through the appropriate subsequent reporting to DAS.

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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 Commission 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 Commission.

This communication is intended solely for the information and use of management, the Commission, the Governor and State Legislature, others within the Commission, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not suitable for any other purposes. However, this communication is a matter of public record, and its distribution is not limited.



Kris Kucera, CPA, CFE
Assistant Deputy Auditor