

# Audit Highlights



Highlights of Legislative Auditor report on the Department of Wildlife, issued on December 14, 2006. Report # LA06-28.

## Background

The Nevada Department of Wildlife (NDOW) is responsible for preserving, protecting, managing, enhancing, and restoring wildlife and its habitat within the state. The Board of Wildlife Commissioners is appointed by the Governor and consists of nine members. The Board is responsible for establishing policy, setting annual and permanent regulations, reviewing budgets, and receiving input from the 17 county advisory boards.

The Department is funded primarily through fees and federal grants. In the 2003 Legislative Session, NDOW was authorized fee increases for certain licenses and tags. Although revenues have increased, license unit sales have been decreasing. In addition to declining license sales, Department records indicate more hunters are competing for fewer game tags.

NDOW receives most of its federal funding from three grants issued by the United States Fish and Wildlife Service (USFWS). The usual state match requirement is 25%; that is, the USFWS reimburses NDOW up to 75% of all allowable project costs.

## Purpose of Audit

This audit focused on revenues and expenditures for fiscal year 2000 through fiscal year 2005, with detailed testing of certain fiscal year 2004 and 2005 revenues and expenditures, and as of June 30, 2006, for grant monitoring issues. The objective of our audit was to evaluate NDOW's financial administrative practices including the correlation of revenues and program expenditures; and the adequacy of controls over restricted revenues and certain expenditures.

## Audit Recommendations

This audit contains nine recommendations to improve the Department's grant monitoring process and controls over restricted funds. Specifically, the Department needs to develop and implement a comprehensive system for grant administration that helps ensure all allowable costs are reimbursed and expenditures are within approved budgets. Additional procedures are also needed to ensure expenditures from restricted revenues are in compliance with state law and the game draw bank account is properly reconciled.

The Department, in its response to our report, accepted the nine recommendations.

## Status of Recommendations

The Department's 60-day plan for corrective action is due on March 14, 2007. In addition, the six-month report on the status of audit recommendations is due on September 14, 2007.

# Department of Wildlife

## Results in Brief

Additional procedures are needed to ensure federal funds are maximized and grant expenditures are properly controlled. We estimate NDOW could have collected approximately \$1.6 million in additional federal receipts during fiscal years 2004 and 2005. This loss of revenue can be attributed to an inefficient and incomplete grant monitoring system. Without accurate and timely information, program managers cannot ensure grant expenditures are within the approved budget or all applicable expenditures are reimbursed.

Procedures are also needed to ensure restricted funds are properly controlled. First, controls did not ensure expenditures funded with restricted revenue were in accordance with state law. Since fiscal year 2000, expenditures totaling approximately \$800,000 have been inappropriately funded with restricted revenues. Second, the Department has not implemented sufficient procedures to ensure disbursements from the game draw account are appropriate. The game draw account is used to reimburse unsuccessful tag applicants and is administered by the game draw contractor.

## Principal Findings

Although it has been the Department's policy to include indirect costs in expenditures charged to federal grants, these costs were not charged in fiscal year 2004. Consequently, indirect costs were not included in fiscal year 2004 grant budgets and costs totaling more than \$1.2 million were not reimbursed. Reimbursements for these costs will not reduce direct program expenditures whenever USFWS grants have sufficient unspent or unobligated funding authority.

The Department reinstated its policy of charging indirect costs in October 2004. As a result, indirect cost reimbursements totaled approximately \$1.3 million in fiscal year 2005. However, not all USFWS grants were amended to include indirect costs. Therefore, indirect costs totaling more than \$210,000 were not reimbursed.

The Department's system to monitor grant expenditures is cumbersome and lacks key information. We noted weaknesses impacting the timeliness, completeness, and accuracy of grant information. NDOW has recognized the need for a new system since one of the objectives in its strategic plan is to implement a new grant management and reporting system by 2006. Although some steps have been taken, the Department has yet to achieve this objective.

In addition to not recovering indirect costs, NDOW's inadequate grant monitoring system has resulted in grant costs exceeding budgets; allowable costs that were not submitted for reimbursement; and untimely monitoring. As a result, grant expenditures totaling more than \$441,000 were not reimbursed during fiscal years 2004 and 2005. Approximately \$152,000 of these expenditures could have been reimbursed with better oversight. The remaining expenditures could not be reimbursed since the grants were capped and the budgets exceeded.

NDOW maintains separate accounting records for various revenues that must be recorded in the Wildlife Obligated Reserve Account. Although the use of these funds is restricted for specific projects, they have been inappropriately used to fund more than \$536,000 of Water Development program expenditures since fiscal year 2000. According to Department officials, donations and federal grants are the funding sources for the Water Development program. However, the Department's records indicate the only funding source has been federal grants. Consequently, funds from other restricted programs have been used to cover the deficit.

Certain direct expenses, such as payroll and vehicle expenses, and indirect grant program expenses for projects recorded in the Wildlife Obligated Reserve Account are charged to the Wildlife Account. Therefore, funds are transferred from the Obligated Reserve Account to reimburse the Wildlife Account. However, these transfers have not agreed with the actual expenditures recorded in the Wildlife Account since fiscal year 2000. As of June 30, 2005, transfers exceeded expenditures by about \$280,000. Since funds deposited in the Wildlife Obligated Reserve Account are restricted to certain projects, transfers should not exceed actual expenditures.

In our prior audit, we noted the game draw bank account was not properly controlled. The game draw account is used to reimburse unsuccessful tag applicants and is administered by the game draw contractor. Although the Department has improved its oversight of the game draw account, it has not ensured the account is properly reconciled on a monthly basis. As a result, there is an increased risk the funds deposited in the account are not adequately safeguarded.