



**U.S. Department of the Interior
Office of Inspector General**

AUDIT REPORT

**MONETARY INCENTIVE AWARDS,
FEDERAL AID PROGRAM,
U.S. FISH AND WILDLIFE SERVICE**

**REPORT NO. 00-I-709
SEPTEMBER 2000**

EXECUTIVE SUMMARY

**Monetary Incentive Awards,
Federal Aid Program,
U.S. Fish and Wildlife Service
Report No. 00-I-709
September 2000**

The U.S. Fish and Wildlife Service (FWS) provides monetary incentive awards, including performance, on-the-spot, and group awards, to its employees in recognition of their outstanding accomplishments. Some FWS awards are financed with funds authorized under the Federal Aid in Sport Fish Restoration Act and Federal Aid in Wildlife Restoration Act that are made available to FWS for the administration of its Federal Aid Program.

The Director of FWS requested this audit to determine whether monetary incentive awards financed with Program administrative funds were appropriate, awarded in a consistent manner, and processed in compliance with Federal, Department of the Interior (DOI), and FWS guidance.

We found that FWS in some cases used Program administrative funds for incentive awards that were not fully justified, properly supported, or processed in compliance with applicable guidance. Of 150 monetary incentive awards reviewed, totaling \$171,578, we found 107 awards, totaling \$113,547, that were not adequately justified and/or processed in compliance with guidance. For example, 80 awards lacked documentation of required supervisory approvals, and 4 awards inappropriately compensated employees for achievements that had been recognized in 2 previous awards.

We recommended that FWS require that management reviews be performed periodically and ensure that awards are given only to qualified and properly approved individuals and processed in compliance with FWS and DOI guidance. We also recommended that FWS update its incentive awards guidance to provide for issuance of awards based on the current performance appraisal system and revise its awards forms to clearly show the names and titles of officials who have recommended and approved the awards.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL EVALUATION

FWS concurred with the report's two recommendations and agreed to take the recommended corrective actions. Based on the response, the recommendations were considered resolved but not implemented.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

E-IN-FWS-004-00-R

SEP 29 2000

AUDIT REPORT

Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks

From: Roger La Rouche *Roger LaRouche*
Acting Assistant Inspector General for Audits

Subject: Audit Report on Monetary Incentive Awards, Federal Aid Program, U.S. Fish and Wildlife Service (No. 00-I-709)

INTRODUCTION

This report presents the results of our audit of the monetary incentive awards that the U.S. Fish and Wildlife Service (FWS) gave to its employees using administrative funds from its Federal Aid Program. We initiated the audit at the request of the FWS Director, who expressed concern that recent Congressional hearings on FWS's Office of Federal Aid had resulted in "an appearance of inappropriate activity regarding monetary awards within the Federal Aid Program." The objective of the audit was to determine whether monetary incentive awards financed with Program administrative funds were made in an appropriate and consistent manner and in compliance with Federal, Department of the Interior (DOI), and FWS guidance.

BACKGROUND

The FWS Federal Aid Program, which is authorized under the Federal Aid in Sport Fish Restoration Act of 1950, as amended (16 U.S.C. § 777-777k), and the Federal Aid in Wildlife Restoration Act of 1937, as amended (16 U.S.C. § 669-669i), provides funding to the states to restore, conserve, manage, and enhance the Nation's fish and wildlife resources and to provide for the public use and benefit from these resources. Funds for the Program come from excise taxes on firearms, ammunition, and archery equipment (the Wildlife Act)

and on fishing equipment and from other sources (the Sport Fish Act). In 1998, FWS received Program funding of about \$552 million (\$180 million under the Wildlife Act and \$372 million under the Sport Fish Act). The authorizing legislation made 8 percent of the Wildlife and 6 percent of the Sport Fish Acts' funding available to FWS for administration of the Program. The remaining funds were distributed to the states in accordance with statutory formulas based primarily on the states' land areas and the number of fishing and hunting licenses purchased.

FWS's use of Program administrative funds has been the subject of Congressional hearings and media coverage. In July and September 1999, the U.S. House of Representatives Committee on Resources heard testimony from the U.S. General Accounting Office, which described FWS's administration and execution of the Program as in need of "attention." The General Accounting Office also testified that FWS had a "culture of permissive spending," may have spent some administrative funds "unnecessarily and ineffectively," and had not resolved problems disclosed by contract audits of Program grants. A discussion of prior hearings, testimony, and audits is provided in Appendix 1.

One area of particular interest to the Congress was the use of Program administrative funds to pay monetary awards to FWS employees. FWS provides monetary awards as an incentive for employee accomplishment. The FWS Manual (224 FW 7.2A) states that the awards are "appropriate only when it can be shown that an individual contribution has resulted in savings or improved efficiency in the Federal Government or when the performance clearly exceeds the performance standards established for the position to the extent that monetary recognition is deserved."

SCOPE OF AUDIT

The audit was conducted from November 1999 through March 2000 at FWS offices in Washington, D.C., and Arlington, Virginia. We also contacted FWS's Region 5 personnel office in Hadley and its Federal Aid offices in Portland, Albuquerque, Ft. Snelling, Atlanta, Hadley, Denver, and, Anchorage.

To accomplish our audit objective, we reviewed Office of Personnel Management, DOI, and FWS regulations and guidance on monetary awards. We also reviewed FWS's official accounting records and award certifications and interviewed FWS personnel responsible for processing and administering incentive awards.

The scope of our audit included monetary awards from Program funds to FWS employees in fiscal years 1996 through 1999. This consisted of 710 monetary awards, totaling \$786,040, that were given to 245 employees, according to FWS records.¹ From a listing of Program-financed employee incentive awards prepared by FWS, we randomly selected for review 150 awards, totaling \$171,578, that were given to 64 employees. We reviewed each of the

¹ Of the 710 monetary awards given to 245 employees in fiscal years 1996 through 1999, 103 were given to non-Program employees. Of the 150 awards reviewed, 21 were given to 19 non-Program employees.

sample awards to determine whether documentation was prepared to justify each award and whether the awards were processed in accordance with FWS guidance. We also compared awards financed with Program funds to awards financed with funds from other FWS program activities, such as resource management, construction management, and land acquisition, as well as to awards given to employees by DOI and its other bureaus.

Our audit was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. We also evaluated the system of internal controls over the granting of employee incentive awards. We found internal control weaknesses in FWS's procedures for monitoring awards and for distributing Program funds for administrative purposes. Our recommendations, if implemented, should improve the internal controls in this area.

RESULTS OF AUDIT

FWS did not ensure that incentive awards financed with Federal Aid Program administrative funds were given only to qualified and properly approved individuals. Specifically, based on a review of 150 monetary incentive awards, totaling \$171,578, that were financed with Program funds during fiscal years 1996 through 1999, we found that 107 awards, totaling \$113,547,² were not supported with adequate written justifications and/or were not processed in compliance with applicable guidance.

Justification

We found that 11 awards, totaling \$13,803, were not adequately justified. One award, for \$1,500, did not have the required documentation, which consists of information on the type of award, a written justification for the award, and the financial action record pertaining to the award. According to Federal record retention guidance (the National Archives and Records Administration's General Records Schedule 1 (GRS 1), entitled "Civilian Personnel Records"), Federal agencies are required to retain records related to incentive awards for 2 years. Because the \$1,500 award was given in fiscal year 1998, FWS was required to have retained supporting documentation for the award at the time of our review.

The remaining 10 awards, totaling \$12,303, were given to employees for achievements unrelated to the Program, even though the Sport Fish and the Wildlife Acts restrict the use of administrative funds to purposes "necessary" for administration of the Program. For example:

- An On-the-Spot award for \$637 and a group award for \$273 were given to one Program employee for serving as a member of a "Social Committee" and for assisting in the preparation of a "cookbook," respectively. Neither activity directly related to the administration of the Program.

²Some awards had more than one deficiency.

- Eight awards, totaling \$11,393, were given to non-Program employees for accomplishments that were not directly related to the Program, such as software development, development of standards for "geospatial data," and the achievement of "core staffing goals." Regional officials, who agreed that these awards were not for Program purposes, said that they were generally unaware that the awards had been financed with Program funds. These officials said that FWS "probably" charged the awards to the Program as a method of allocating Program funds to the regions to pay a portion of the regions' common services (overhead) costs. FWS, however, had no consistent and supportable basis for allocating Program funds to the regions for regional common services expenses (see Appendix 1).

Compliance

FWS did not always process incentive awards in compliance with DOI and FWS guidance or prepare documentation to show that awards were processed properly. For 80 awards, totaling \$81,502, FWS did not clearly identify the recommending official or the position of the official who approved the award. As such, we could not determine whether the recommending and approving officials were different individuals, as required by FWS guidance,³ nor could we determine whether a second-level supervisor had approved the awards, as required by FWS guidance.⁴

We also found that 41 awards, totaling \$38,572, that were given as group awards were not supported with justifications that described each individual's contribution to the joint effort, as required by FWS guidance.⁵

Another four awards, totaling \$6,400, were given to two employees (two awards of \$1,600 each) in recognition of the same achievements for which the employees had received previous awards. These two employees received three awards each of \$1,600 (or \$9,600 in total) for "assuming the retired secretary's workload [for the Chief of the Program] plus much of their current workload." DOI's "Human Resources Management Handbook" states that "[a]pproving officials must ensure that employees are not recognized with a monetary award more than once for the same achievement(s)."

We found that FWS lacked adequate controls to ensure that incentive awards were processed in compliance with guidance, were properly approved, and were given only to qualified individuals. During the 4-year scope of our audit, FWS conducted no management reviews of and implemented no alternative controls over its incentive awards program, although it

³The FWS Manual, Section 224 FW 7.1E, states, "With the exception of a recommendation by the Director, in no instance is an award recommendation to be approved by the recommending official."

⁴The FWS Manual, Section 224 FW 7.7C, states, "A nomination is forwarded by the recommending official to the second-level supervisor for review and approval."

⁵The FWS Manual, Section 224 FW 7.4E, states, "The justification for a group award must include the specific contribution of each member of the group to the overall organizational accomplishment."

did compile statistics on the incentive awards that FWS gave during the period June 1, 1998 to December 31, 1998. According to FWS officials, FWS completed another statistical analysis of incentive award data in March 2000. The March 2000 analysis covered 1999 incentive awards.

Guidance

We found that FWS needed to supplement and update its guidance on employee awards as follows:

- Guidance in the FWS Manual on quality step increases needs to be updated to reflect a change to the performance appraisal system that impacts the qualifications for this award. Under the previous appraisal system, employees qualified for the increases based on their numerical performance rating. The numerical rating has been replaced in all but one FWS region with an "achieved/not achieved" rating.

- FWS needs to revise its award certification (Form DI-451) to clearly show the names and titles of the officials who have recommended and approved the incentive awards. The revision is needed to provide documentary support that the awards have been processed and approved in accordance with FWS guidance (224 FW 7.1E and 7.7C).

- The FWS Manual needs to be updated to provide guidance on DOI's Special Thanks for Achieving Results (STAR) Award.

Comparison

To evaluate the reasonableness of awards financed with Program administrative funds, we obtained information on the number and amounts of incentive awards that were given to FWS employees with Program funds, to FWS employees from other FWS funding sources, and to other DOI employees. Based on information from FWS and from several Departmental offices, we found that the cumulative award amount per full-time-equivalent employee under the Program on average was significantly higher and the cumulative number of awards on average was more numerous than the average amount and number of awards per full-time-equivalent employee that were given by other FWS divisions. We also found that in fiscal years 1996 through 1999, FWS gave more awards (27,988) totaling more money (\$25,449,127) than any other DOI bureau during our audit period, the cumulative amount of FWS awards per full-time-equivalent employee on average was almost twice as much as the cumulative award amount per full-time-equivalent employee for other DOI bureaus, and each FWS employee cumulatively received almost twice as many awards on average as did employees of other DOI bureaus. Information on FWS's incentive awards and those of other DOI bureaus is shown as follows:

Fiscal Years 1996 Through 1999

FWS Divisions/ DOI Bureaus	Award Amounts	No. of Awards	Average FTEs*	Total Award Amount Per FTE	Average Annual Award Amount Per FTE**	Total No. of Awards Per FTE	Average Annual Awards Per FTE**
FWS Federal Aid	\$786,040	710	148	\$5,311	\$1,328	4.80	1.20
FWS Total	\$25,449,127	27,988	7,627	3,337	\$834	3.67	0.92
Other DOI Bureaus	\$105,415,763	128,718	58,595	\$1,799	\$450	2.20	0.55

* Full-time-equivalent position

**Because some award data were not provided on a fiscal year basis, we did not provide data on the annual award amounts. Instead, we totaled all awards given during the 4-year period of 1996-1999 and computed the average number and amount of awards given on an annual basis.

Although we are not making any recommendations regarding the number or the amount of Program incentive awards, we suggest that FWS evaluate its Program-financed incentive awards compared with incentive awards financed from other DOI funding sources, particularly in light of General Accounting Office and Congressional concerns about the appropriateness of FWS's use of Program administrative funds.

Recommendations

We recommend that the Director, FWS:

1. Require that management reviews be performed periodically or that other controls be implemented to ensure that FWS's incentive awards are given only to qualified and properly approved individuals and that the awards are processed in compliance with FWS and DOI guidance.

2. Revise and update the FWS Manual sections on FWS's Employee Recognition and Incentives Program to conform with DOI's policies and procedures for incentive awards and with DOI's performance appraisal system.

FWS Response and OIG Reply

In the August 21, 2000, response (Appendix 2) to the draft report from the Director, FWS, FWS said that it concurred with the report's two recommendations. Based on the response, we consider the recommendations resolved but not implemented. Accordingly, the unimplemented recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Since the report's recommendations are considered resolved, no further response to the Office of Inspector General is required (see Appendix 3).

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

PRIOR HEARINGS, TESTIMONY, AND AUDITS

The House of Representatives Committee on Resources conducted oversight reviews on FWS's administration and management of the Federal Aid Program authorized under the Wildlife and Sport Fish Acts. Specifically, in Committee reviews conducted in December 1998 with the assistance of the General Accounting Office and in March 1999 with the support of the Committee's investigative staff, the Chairman of the Committee found that FWS used Program administrative funds for improper purposes, including the payment of (1) administrative expenses unrelated or not solely related to the administration and execution of the Acts, (2) nonadministrative expenses, (3) wasteful and unnecessary administrative expenses, and (4) regional office expenses unrelated to fish and wildlife conservation.

Documenting its testimony at the hearings, the General Accounting Office issued two reports as follows:

- "Fish and Wildlife Service: Management and Oversight of the Federal Aid Program Needs Attention" (No. GAO/T-RCED-99-259), dated July 1999, described FWS's use of Program administrative funds. The testimony cited deficiencies in the use of funds for expenses such as salaries, travel, grants, and contracts and cited as "inadequate" the controls over expenditures, revenues, grant funds used by the FWS Director, and the management and oversight of administrative grants. The testimony also said that regional offices used administrative funds in an "inconsistent" manner, the accuracy of FWS-wide overhead charges was "uncertain," and no routine audits were performed on the use of administrative funds. The report did not contain any recommendations.

- "Fish and Wildlife Service: Options to Improve the Use of Federal Aid Programs' Administrative Funds" (No. GAO/T-RCED-99-285), dated September 1999, restated the deficiencies described in the July 1999 testimony and added that these deficiencies "have led to a culture of permissive spending within the Office of Federal Aid." The testimony also offered three options for controlling the use of administrative funds: (1) FWS could be given additional time to correct the problems identified, (2) legislative limits could be placed on how FWS spends administrative funds, and (3) FWS could be required to use appropriated funds to administer the Program. In the testimony, the General Accounting Office expressed concern about FWS's commitment to correcting the deficiencies because FWS had not fully implemented prior recommendations. The report did not contain any recommendations.



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

Memorandum

To: Assistant Inspector General for Audits

From: Director

Subject: Draft Audit Report on Monetary Incentive Awards, Federal Aid Program, U.S. Fish and Wildlife Service (E-IN-FWS-004-00-R)

Thank you for the opportunity to respond to the Inspector General's Draft Audit Report on Monetary Awards and Federal Aid.

We concur with each of the draft report's recommendations and have provided a listing of completed and planned actions, proposed target dates, and the title of responsible officials. We will make every effort to implement corrective actions in a timely and effective manner. If you have any questions, please contact Rebekah Wietz, Division of Personnel, at 202-208-4562.

Attachment

U.S. Fish and Wildlife Service

Subject: Office of the Inspector General Draft Audit Report on Monetary Incentive Awards, Federal Aid Program, U.S. Fish and Wildlife Service (E-IN-FWS-004-00-R)

The following comments are submitted in response to the recommendations contained in the above referenced draft audit report:

OIG Recommendation 1: Require that management reviews be preformed periodically or that other controls be implemented to ensure that FWS's incentive awards are given only to qualified and properly approved individuals and that the awards are processed in compliance with FWS and DOI guidance.

FWS Response: Concur. Currently, the Service has issued policy requiring all monetary awards over \$2,500 and any combination of awards for a single employee that exceeds \$2,500 during a performance cycle to be approved by the Director. This policy ensures a higher level of review for the awards that fall into this category. In addition, the Service will ensure that the responsibilities of managers and supervisors regarding monetary awards be discussed at required supervisory training classes. When the new manual chapter on monetary awards is published (see recommendation 2,) the Division of Personnel will distribute the guidance to all managers and supervisors via a Supervisory Information Bulletin. The Service will also implement a policy that requires regional personnel offices to conduct an annual review of 10% of their monetary award nomination justifications for conformance with Service policy. Finally, the Division of Personnel will continue to analyze all monetary award data on a fiscal year basis.

Target Date:	Supervisory training course curricula:	11/01/00
	Supervisory Information Bulletin:	30 days from publish date of new policy guidance
	Regional justification audit:	Will be contained in new policy guidance

Title of Responsible Official: Personnel Officer

U.S. Fish and Wildlife Service

OIG Recommendation 2: Revise and update FWS Manual sections on FWS's Employee Recognition and Incentives Program to confirm with DOI's policies and procedures for incentive awards and with DOI's performance appraisal system.

FWS Response: Concur. Currently, the Department of the Interior has its new policy chapter on the incentive awards program in surname. The Division of Personnel is waiting for this guidance to be published before issuing Service guidance on the subject to ensure consistency. In the event that the Departmental guidance is not published by December 31, 2000, the Division of Personnel will publish a revised Service Manual chapter without the Departmental guidance.

Target Date: Publish new Service Manual chapter 120 days from publishing of DOI guidance or 1/30/01, whichever occurs first

Title of Responsible Official: Personnel Officer

STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1 and 2	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

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